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Southeast Asia Report

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AUSTRALIA

ALP CLARIFIES STAND ON PRIVATIZATION POLICY

Sydney THE AUSTRALIAN in English 6 Mar 86 p 2

[Article by David O'Reilly]

[Text]

THE ALP has moved to define its privatisation policy in a bid to keep pressure on the Federal Leader of the Opposition, Mr Howard, over the issue in the build-up to the next election.

With Mr Howard backing away from the issue in recent months, Labor's high-powered platform economic committee last week inserted three paragraphs into the party's national policy which, for the first time, directly address the privatisation question.

Under a new section of the economic policy, titled The Public Sector, the committee added: "Labor is committed to the maintenance of the Australian public sector.

"We totally reject conservative proposals of privatising of public enterprises and services, which would lead to:

INCREASED prices of goods and services.

DISADVANTAGES to people on low incomes or those living in remote areas.

A WEAKENING of the sense of national and public identity associated with bodies such as the Australian Broadcasting Corporation, Qantas and the Commonwealth Bank.

SIGNIFICANT loss of employment and erosion of working conditions.

DISPOSAL of public assets at under-valued prices and the further concentration of economic power in the hands of narrow, private interests.

INCREASED foreign ownership and control of the Australian economy.

DIFFICULTIES in addressing the major structural problems in the economy.

"Labor is committed to the provision of essential community services through the public sector, including communications, health, education and transport, and will strongly resist efforts to privatise such services."

The insertion of the wording, which will be debated at the ALP national conference in Tasmania in July, came after considerable manoeuvring between left-wing and right-wing delegates on the economic committee.

Factional tensions apart, however, the committee believes that having run so hard on the issue in the past, Mr Howard must not be allowed to play it down any longer.

Control

The establishment of Labor's policy should give the Federal Government the base from which to continue exploiting the issue against Mr Howard after the Hobart conference.

Attempts by left-wing delegates to include a paragraph calling for a strengthening or expanding of the public sector were defeated by narrow votes.

As well, the Right argued strongly against motions by the Left that outlined new commitments to capital gains and wealth taxation.

Supporters of the Treasurer, Mr Keating, argued that the Federal Government had fought its way through the tax labyrinth last year and that any tampering with existing policy could be exploited by the Opposition in the lead-up to the election.

Mr Howard said in February that privatisation was not a "flagship" issue for the Opposition.

This was despite it being one of the key issues advocated by the economic rationalist camp that took control of the Opposition's policy development after Mr Howard replaced Mr Andrew Peacock as Leader in September last year.

Government strategists want to keep the issue alive because of the votes they believe can be won by painting the Opposition as being intent on selling off sections of government enterprise.

"They created the issue," a government tactician said yesterday.

"Initially, they did it based on ill-defined surveys that appeared to show that people were largely in favour of turning over government operations to private hands.

"But they have found two problems with that – the very word privatisation sounds ghastly and they have badly underestimated what it takes to make people change their vote."

Government ministers, including the Minister for Finance, Senator Walsh, and the Minister for Trade, Mr Dawkins, have stressed in recent days that yardsticks should be the efficiency and cost effectiveness of the public sector, not its size.

They have challenged the view that privatisation would make agencies such as the Commonwealth Bank, Medibank and government insurance offices more competitive.

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DEFECTIONS SPLIT ALP CENTER-LEFT FACTION

Sydney THE AUSTRALIAN in English 18 Mar 86 pp 1, 2

[Article by Cheryl Cartwright]

[Text]

THE Centre Left faction of the ALP associated with the Minister for Foreign Affairs, Mr Hayden, has reportedly lost up to four key members.

A new Centre faction, which indicated it would vote with either the Left or the Right on ballots for positions in Caucus and with the Centre Left on policy issues, was formed at a meeting in Brisbane at the weekend, ALP sources said yesterday.

The convener of the new faction will be Senator John Black, whose federal colleagues, Senator Mal Colston and Mr David Beddall (ALP, Rankin) — and possibly Mr Len Keogh (ALP, Bowman) — will join him.

Mr Hayden and the Special Minister of State, Mr Young, formed the Centre Left as a power base of the non-aligned moderates of the Centre two years ago. They have been unable to maintain the discipline that the party's Left and Right can impose, however.

Sources said the strength of the ALP factions in Federal Parliament stood at: Right 46, Left 33, Centre Left 25, non-aligned 7, Victorian Independents 6 and Centre 3.

The most recent example of the Centre Left's inability to keep a tight rein was in the ballot for the speakership last month. Critical preferences drifted from the Centre Left and gave the deputy speakership to Mr Leo McLeay (ALP, Grayndler) of the Right. Mrs Joan Child (ALP, Henty), also of the Right, was elected unopposed as Speaker.

The former Speaker, Dr Harry Jenkins, was a member of the Left. The Centre Left had intended exchanging preferences with the Left to ensure the latter's candidate, Mr Allan Blanchard (ALP, Moore), won the deputy's job.

Sources said the Centre faction had the support of the powerful, right-wing Australian Workers Union and the Shop Distributive and Allied Employees Association.

They said the defectors had written last year to the Centre Left's convener, Senator Peter Cook, outlining their concerns that the faction was not being fully recognised in Queensland. They had received no response.

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AUSTRALIA

HAYDEN 'ESCALATION' ON VIEW OF RISK IN HOSTING U.S. BASES

Sydney THE SYDNEY MORNING HERALD in English 17 Mar 86 p 1

[Article by Milton Cockburn]

[Text] Canberra--The American bases in Australia would be "high-priority" targets in a nuclear war, according to the Minister for Foreign Affairs, Mr Hayden.

This is a significant escalation by Mr Hayden of the risks involved in Australia's hosting the US military bases at North West Cape, Pine Gap and Nurrungar.

In June 1984, the Prime Minister and Mr Hayden conceded that the American bases or joint defence facilities as the Government calls them, did place Australia in some risk of a nuclear attack.

On that occasion Mr Hawke said: "The Government believes that hosting the facilities does bring with it some degree of added risk of nuclear attack."

But he said it was not possible to be categoric and the Government could not enter the minds of possibly hostile military planners.

On the Channel 9 Sunday program yesterday, Mr Hayden said the bases "are extremely important, in some respects critical, and we take risks with them."

"They are, I have said before, nuclear targets in certain circumstances, I would think high priority ones in an all-out exchange.

"But against that the risk is worthwhile because they contribute to nuclear stability and make the likelihood of such an exchange much, much less."

Mr Hayden's comments coincide with moves to strengthen his party's support for the joint defence facilities at the ALP national conference in July.

The ALP foreign affairs platform committee will recommend that Labor's policy emphasise the bases' contribution towards global nuclear balance by enabling the verification of arms control treaties, and by providing early warning of threats to allies.

This does not represent a major shift in policy since it effectively brings the party's policy in line with the Government policy announced by Mr Hawke and Mr Hayden in June 1984.

But there is a sting in the tail, with the committee also recommending that "the joint facilities may therefore remain as long as they continue to fulfil these functions."

The new policy was endorsed, despite the opposition of left-wing delegates at a meeting of the platform committee on February 28 and was supported by Mr Hayden and the Minister for Defence, Mr Beazley.

The proposed new policy is: "The joint facilities in Australia have helped materially to make possible the progress which has been made in the past towards arms control and disarmament by enabling (1) surveillance for the verification of treaties, agreements and undertakings on disarmament and arms control and (2) provision of early warning of threats to allies.

"While recognising that the major joint facilities may themselves constitute nuclear targets, the continued presence of the joint facilities contributes an essential element to a stable global nuclear balance and without the capacity for surveillance and early warning which they and similar facilities provide, further progress towards arms control and disarmament will be jeopardised rather than enhanced.

"The joint facilities may therefore remain as long as they continue to fulfil these functions."

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CHANGES IN HAYDEN PERFORMANCE, ASEAN TIES VIEWED

Sydney THE SYDNEY MORNING HERALD in English 17 Mar 86 p 13

[Article by Patrick Walters: "Bill Hayden Lowers His Profile"]

[Text]

ASK Bill Hayden to explain Australia's relations with ASEAN and he will joke, poker-faced, about the "intrinsic charm" of his personality being responsible for our improved relations with countries such as Indonesia, Singapore and Malaysia.

Mr Hayden returned last week from his 26th overseas trip since assuming the foreign affairs portfolio three years ago. Typically, the official itinerary was crammed — 36 hours in Jakarta, 22 hours in Singapore, 14 hours in Kuala Lumpur and 40 hours in Manila.

But apart from the meeting with the new President of Philippines, Mrs Aquino, and a quick look at the vast and gaudy legacy left in the Malacanang Palace in Manila, this 10-day visit to Indonesia, Singapore, Malaysia, Hong Kong and the Philippines was conspicuous more for its uneventfulness than anything else.

Three years at the helm of Australian foreign policy have changed Bill Hayden. He is a more skilled, confident and subtle performer these days. He still sometimes likes to fire off the odd, potentially lethal and totally unexpected salvo, but words are now rarely bullets in the conduct of Australia's diplomacy.

Part of this can be put down simply to experience. With the possible exception of Paul Keating, no-one in Bob Hawke's Cabinet has worked harder or learnt more on the job than Bill Hayden. Three years as the Foreign Minister also have helped define an approach to foreign policy, which, if still occasionally idiosyncratic, is now more realistic and pragmatic about Australia's place in the world and what can be achieved by diplomacy.

Another explanation is that Australian foreign policy is now less driven by the domestic imperatives of ALP politics than in Labor's first term in office. As the pressure from the party's left wing on issues such as East Timor and Vietnam has subsided, so has Mr Hayden's attitude become more hard-nosed and less moralistic.

Australia's relations with ASEAN are on a more secure political footing than they have been for many years. After the Fraser Government's bitter fracas over Australia's international civil aviation policy in 1979, Mr Hayden got into a slanging match with ASEAN in late 1983 over his attempts to act as an honest broker over Cambodia.

Singapore and others accused Australia of bending over backwards to please Vietnam. In Parliament Mr Hayden accused his Singapore counterpart, Mr Suppiah Dhanabalan, of adopting an "extraordinary, offensive, intolerable and unacceptable" attitude towards Australia.

Tensions over the Australian attempts to search for a settlement in Cambodia continued last year when, after a trip to Hanoi, Mr Hayden found out that despite Vietnamese denials, their troops had crossed into Thailand.

To some extent Australia's improved relations with ASEAN are due to the low profile we have given the Cambodian initiative in the past year. Mr Hayden still professes to hammer away at his "little last" on Cambodia, but he has renounced the high-profile, interventionist role he pursued for two years until his mauling in Bangkok a year ago.

Indonesia's Dr Mochtar has now taken over the role of honest broker in trying to persuade Vietnam to withdraw from Cambodia. ASEAN's objectives and analysis and more particularly, Indonesia's position, are similar to our own.

In discussing his position on Cambodia Mr Hayden recently spoke in Marxist terms of a dialectic, a clash of views, and a synthesis. "I certainly had to learn to make some adjustments, but so have others. The relationship is much better now," he said last week.

Apart from two days in Manila meeting the new Aquino Government, the most important leg of last week's trip was the time spent in Jakarta.

When Australia's Ambassador to Indonesia, Bill Morrison, Mr Hayden and Indonesia's strongman, General Benny Moerdani, sat down to Sunday dinner a fortnight ago, the occasion underscored the recent upswing in our uncertain relationship with Indonesia.

The private dinner at the Ambassador's residence, unimaginable 18 months ago given the tensions over East Timor, stems from the close relationship Mr Morrison has developed with General Moerdani.

THE more positive and constructive relationship between Canberra and Jakarta can be dated from Mr Hawke's statement last August when he publicly reaffirmed Australia's recognition of Indonesian sovereignty over East Timor.

Since then Dr Mochtar has made a successful trip to Canberra and the two countries are trying to emphasise areas of general agreement rather than differences. While Mr Hayden was in town, Dr Mochtar declared his wish to speed up negotiations on the Timor Gap maritime boundary which have been dragging on for years and testing Canberra's patience. Dr Mochtar is a law-of-the-sea expert and is now taking a close personal interest in the plan to set up a joint development zone in the potentially oil-rich Timor Gap.

Dr Mochtar also promised to consider sympathetically the question of visits by East Timorese living in Darwin to their old homeland.

Mr Hayden has worked diligently to build contacts with his ASEAN counterparts. He has been to Singapore and Malaysia three times in the last 12 months. He gets on well with Lee Kuan Yew and on this trip he dined privately with his old sparring partner, Mr Dhanabalan. The Singapore Foreign Minister even made a special trip to the airport see him off.

He stresses Australia's vital political interest in a stable ASEAN at a time of political upheaval in the Philippines and growing economic problems facing all member nations with the exception of Brunei.

Mr Hayden came away from the Philippines impressed with the warmth and strength of Mrs Aquino's personality, and confident of the ability of her Government to root out corruption and embark on a program of radical reform.

Australia was quick to consolidate its standing with the new Government. Our ambassador in Manila, Mr Roy Fernandez, had established a good rapport with senior ministers and officials long before the unexpectedly hasty departure of Marcos. In two days in Manila Mr Hayden met nearly every major figure in the new Government.

In moving speedily to boost Australian aid to the Philippines and to promote an internationally co-ordinated aid effort, Bill Hayden has amply demonstrated his faith in the new Government. It remains to be seen whether the Aquino Government will repay that goodwill by getting rid of the vestiges of the Marcos era.

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FORMER INTELLIGENCE CHIEF ON DEFENSE SPENDING, JAKARTA THREAT

Sydney THE AUSTRALIAN in English 17 Mar 86 p 4

[Article: "High Defence Funding Queried While Threat Stays Low"]

[Text]

THE former head of Australia's key intelligence unit, the Joint Intelligence Organisation, Mr Gordon Jockel, questioned Australia's high level of defence spending yesterday and gave personal insights into the cautious nature of the Indonesian armed forces.

Mr Jockel said that in the period of Indonesian confrontation with Malaysia in the 1960s, Australia had vigorously opposed British elements "which wanted to deliver Indonesia a heavy military blow".

At the time when Australian troops were fighting Indonesian forces on the Borneo border, there was considerable military co-operation between Australia and Indonesia in other areas.

In a speech to the conference, Mr Jockel argued that Australia lay beyond Indonesia's security concerns and presented a picture of extensive and secret military co-operation and understanding between the two nations in recent decades.

"For at least 15 years now, Australian governments have seen no foreseeable military threat to this country for the next 10 years," Mr Jockel said.

"That adds up to a quarter of a century. My paper, I hope, reinforces that assessment. Why then does Australia's defence spending keep on increasing little by little year after year as a proportion of gross domestic product?

Interlocking

"It is now up to about 2.8 or 2.9 per cent. How is it that in the '50s and early '60s under Sir Robert Menzies when the theories about the downward thrust of China and falling dominoes were in full force that the proportion was as low as 1.5 per cent of GDP?

"I don't know the answer. What I do know is that Australian governments do not look at defence estimates and strategic assessments at the same time.

"Indeed, I venture to say that the strategic assessments do not have any direct bearing or consideration on the defence estimates."

Australia would have a more coherent approach to the region if it considered a closer interlocking between defence outlays and strategic assessments.

One of the features of the Indonesian military over the years was that operations had been designed to impress the world with the country's cause and sense of mission.

Such operations had been "daring and deliberately spectacular while limited in military aim" with "all-out com-

mitment only to the uncontested campaign in East Timor".

The confrontation period had seen an interesting political effort directed at Australia.

"Secret assurances were conveyed that Indonesian oil supply would not be cut off," he said.

"While Australian troops were fighting Indonesian forces in the Borneo border regions, Australian and Indonesian military units were co-operating on a project to map and mark the border between West Irian and Papua New Guinea – useful work in itself and a signal by Indonesia that it was willing to have the area stabilised.

"During confrontation Australia was active politically as well as militarily, urging containment and patience.

"What Australia did not do, although the opportunity was there, was mount an anti-Indonesian campaign and encourage those British elements which wanted to deliver Indonesia a heavy military blow. In fact, we argued (against) the British.

"Fortunately, Indonesia is one area where Australian governments are well served by advisers and are willing to listen.

"These policies took nerve and conviction. They would not have been possible if the anti-Indonesian feelings which some people display today had been prevalent then."

In both Australian and Indonesian circles there had been an awareness of the dual function of the Indonesian army – that it had a military and governing role – and therefore was not prepared to risk military humiliation since this would affect its overall standing.

"In the period of confrontation the Australian army kept a very cool head towards Indonesia despite being engaged in combat with Indonesian troops," Mr Jockel said.

Co-operation

"This was because the Australian army knew about the domestic political role of the Indonesian army in the power struggle in that country.

"That knowledge came from the training of Indonesian army intelligence officers in Australia and the networks of contact they established."

The political temperament of the Indonesian governing class and its Javanese qualities and background gave it "brilliant insights" into the region but sometimes these assessments could "go astray".

Indonesia could not afford to let the Free Papua Movement (OPM) develop and grow beyond low-level dissidence.

He said: "Failing a reasonably co-operative attitude on the part of the PNG Government, (Indonesia) must take direct action using force and openly violate PNG sovereignty in the border regions.

"Its actions would fall short of all-out pressure on Port Moresby by techniques of confrontation or deep military penetration."

He stressed that these were worst-case scenarios and it seemed well within the ability of both the Indonesian and PNG governments to manage the situation.

"To the human rights' activists I would say there have been far fewer dead bodies in recent years than we had any reasonable right to expect", he said.

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AUSTRALIA

EDITORIAL URGES DISSOLVING OPPOSITION COALITION

Sydney THE AUSTRALIAN in English 17 Mar 86 p 6

[Editorial: "Separate Parties, Separate Strengths"]

[Text]

THE members of the Federal Parliament belonging to the Liberal and National Parties have managed to patch up their differences over the Government's proposals regarding sex discrimination.

But despite Mr Sinclair's assurances the public has been left with the justifiable impression that on this issue as on many others there is a basic difference in principle between the two parties belonging to the Coalition.

Naturally enough, Liberal Party and National Party politicians have taken pains to deny that there is a rift in the Coalition.

It is understandable that they should do so, because an opposition or a government which appears to be seriously divided, even if its divisions have not brought about a full-scale split, suffers a heavy electoral disadvantage.

Yet the lack of unanimity within the Coalition, particularly when it is in opposition, should come as no surprise. The Liberal and National Parties do not appeal to the same sections of society. They have different histories and they approach many fundamental political questions from different standpoints.

The discipline of government and the day-to-day demands of running an administration can overcome these differences, although as the recent withdrawal of the Liberal Party from the Queensland Government has shown even this is sometimes not enough to keep them together.

The restraints of government do not apply in opposition, and it is becoming increasingly obvious that the interests of the Federal Opposition parties would be better served if they dissolved the Coalition and set about building their strengths as separate parties. If the Liberals and Nationals while in opposition were no longer in coalition, it should not follow that they should be hostile towards each other nor that they should not be prepared to reconstitute a coalition government following an election which gave them a majority in the Lower House when their members combined.

Mr Jacques Chirac's neo-Gaullist RPR and the centrist UDF worked together over many years to give France stable government. They have not been in coalition in opposition since Mr Mitterrand's victory, but it has been taken for granted that they would work together in government again if successful in yesterday's election.

The Christian Democrats and Free Democrats now share government in West Germany without ever having co-operated in opposition.

The difficulties in the way of the National and Liberal Parties similarly forming a government coalition are

much smaller than those facing potential French and West German non-socialist coalitions.

Neither of the two Australian parties is deeply ideological, and there is considerable blurring of the edges. Moreover, until very recent years Labor polled better in South Australia and Tasmania, where the Country Party did not exist, and polled least well in Victoria and Queensland, wnere the Liberal and Country Parties were constantly feuding.

The National Party in Western Australia probably has less in common with Sir Joh Bjelke-Petersen than does Mr Robin Gray's Tasmanian Liberal Party.

But the fact remains that the National Party has derived much of its strength from conservative-minded country people. It is in danger of losing its base to more radical rural forces because of its necessity to compromise with the Liberals. And Liberals risk forfeiting their small liberal backing, mainly found in the cities, because of their association with the National Party.

They should frankly acknowledge their differences, but without denying what they have in common. Each should build its own constituency while recognising that together they will need to hammer out a common program when they have the numbers to form a government.

They should find it much easier to reach agreement than do a federal Labor government and its running mate, the Australian Council of Trade Unions.

The Liberal and National Parties are now tied together as if they were in a three-legged race. If they run separately they can only improve their chance of carrying off a joint victory.

/9317
CSO: 4200/884

AUSTRALIA

HAWKE URGED TO MEET WITH EC OVER ISSUES

Melbourne THE AGE in English 18 Mar 86 p 13

[Editorial: "Why Hawke Must Go to Brussels"]

[Text]

THE Prime Minister, Mr Hawke, should ignore the calls of those who are demanding the cancellation of his talks at the European Commission in Brussels next month. Australia's relationship with the world's biggest trading bloc is far too important for the Federal Government to allow diplomatic pique to intrude on the national interest. Certainly, Australians have every right to feel offended by the contrived and churlish way in which the Europeans have called off the annual trade discussions which were to have been held in Canberra soon. Australian criticism of EEC agricultural subsidies, the appointment of a special Australian trade representative in Europe, and Australia's failure to accord the EC delegation in Canberra full diplomatic status are cited as reasons for the cancellation.

The Europeans are guilty of the very kind of emotional overreaction that they have long accused Australian negotiators of displaying. The Trade Minister, Mr Dawkins, is entitled to be upset. The commission knows perfectly well that the Common Agricultural Policy is a deeply controversial question in the European community itself. It has long been clear that the only beneficiaries of this policy (apart from the Soviet Union, which buys surplus food at bargain prices, and African famine victims) are a relatively small number of highly subsidised farmers who are disproportionately influential in the governments of most EEC members. Virtually everyone at the commission concedes that reform of the CAP is essential to the health and growth of Europe — and, indeed, to a stable international trading system.

What, then, is all the fuss about? The commission's other two chief complaints are diplomatic matters that ought to be settled diplomatically. Cancelling talks is mischievous. But Australia has nothing to gain, and perhaps much more to lose, by playing the commission at its own game. Mr Hawke's planned visit to the commission provides an opportunity to restore a sense of perspective to the relationship. No one can deny that Canberra has a genuine interest in trying to minimise the disruptions caused by the EEC's practice of dumping food surpluses in markets that Australia has developed since Britain joined the community. Our grievances are legitimate. We have a right to expect greater sensitivity from Brussels, particularly at a time when Australian farmers are in such serious difficulties. These are points the Australian Government must continue to raise at every opportunity. A visit to Brussels is one that the Prime Minister cannot afford to pass up.

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AUSTRALIA

REPORTAGE ON BELL RESOURCES BHP TAKEOVER BID

Government, Opposition Moves Reported

Sydney THE AUSTRALIAN in English 18 Mar 86 p 2

[Article by Alan Fewster]

[Text]

ROWS are expected to surface in government and opposition party rooms today as the ALP and the Coalition meet to discuss a possible deal that would pre-empt an inquiry into the BHP takeover.

Members of the Government and Opposition yesterday criticised reports that the Government would split the controversial trade practices legislation into two separate Bills, one dealing only with amendments to Section 50 on monopoly takeovers and the other with planned consumer legislation.

The NSW Government backbencher, Mr Alan Morris, said the move ignored a Caucus industry committee resolution to do nothing to obstruct an inquiry into the takeover bid by Mr Robert Holmes a Court's Bell Resources.

It also had the effect of negating an earlier Caucus decision not to intervene in the legislation, now before the Senate, he said.

The former chairman of the Liberal Party's industrial relations committee, Mr Max Burr (Tasmania) and Senator Allan Missen (Victoria) also broke Liberal ranks, saying they were certain a Trade Practices Commission (TPC) inquiry should be held.

The Leader of the Opposition, Mr Howard, repeated yesterday that he would not comment on something which was not yet government policy.

But the odds are the Opposition will support the "split Bill" dealing with Section 50.

It will almost certainly again propose its "grandfather clause" amendment, which would allow monopoly takeover bids – except for those already in existence – and this is likely to be defeated with support from the Australian Democrats.

The Opposition would then be left with deciding either to support the Government's amendment – assuming it is in the same form as the original amendment Bill – or opposing it.

Mr Morris said if the Government split the Trade Practices Amendment Bill it would be open to claims that it was interfering in legislation already before the Senate.

"At earlier Caucus meetings it was put to us that it would be seen as questionable behaviour to intervene while the Bills were before the Senate," he said.

"Such an action would be inappropriate.

"Although there were a number of people opposed to the legislation which went to the Senate, once it was there we made no attempt to withdraw it.

"Now, by splitting the Bills, the Government could be seen to be interfering with the legislative process because the Senate has not done what might have been expected of it."

Senator Missen said if the Opposition accepted the Section 50 amendments it was "extremely difficult" to avoid the impression that it was changing the rules of the game.

He said such a move would be hard to support.

Mr Burr said a TPC inquiry was needed because the future of more than one million Australians was at stake.

Drones

"Claims that the shareholders should make the decision were equally misleading," he said.

"BHP has about 160,000 small shareholders but the Holmes a Court bid is specifically directed at the 30-odd large corporate shareholders.

"All takeover bids by corporate raiders should be investigated by the Trade Practices Commission and new laws may be necessary to protect the public interest against these corporate drones."

The NSW backbencher and prominent "wet", Mr Michael Mackellar, added to the pressure on Mr Howard not to change his position on the amendments when he said: "I don't think we can chop and change all the time on this issue."

BHP Reveals 18 Percent Stake in Bell

Sydney THE AUSTRALIAN in English 18 Mar 86 p 15

[Article by Ian Howarth]

[Text] BHP yesterday revealed an 18.009 per cent stake in Bell Resources Ltd in the latest move to defend itself from Bell's takeover.

The stake, totalling 23,824,103 shares, was disclosed in a summarised substantial shareholding notice lodged with both the Perth Stock Exchange and Bell Resources late yesterday.

BHP, however, failed to lodge a full substantial shareholding notice and asked the National Companies and Securities Commission (NCSC) for an extension of time to lodge it.

The request was channelled through the West Australian Corporate Affairs Commissioner.

Under Section 142 of the Companies Code the NCSC can grant an extension.

Its decision can also be made after the expiration of such a time limit.

However, late last night it was unclear what BHP's position would be if the NCSC rejected the extension request.

The summarised statement shows that BHP controls 5.66 million Bell Resources bought on the stock exchange floor.

In addition, BHP controls 7.28 million shares for which the voting rights attach to BHP.

These shares are controlled to the extent the votes represented by the shares are directed against the special resolution to be put to shareholders at Bell Resourves' extraordinary general meeting in Perth today.

Bell Resources plans to put a motion allowing it to place up to 120 million shares with its parent, Bell Group Ltd.

BHP also revealed control of a further 5.587 million Bell Resources share under voting right arrangements similar to the previous parcel but with an addition that the seller of the shares has the option at any time within the next six months to repurchase any or all of the shares sold to BHP.

Finally, BHP revealed it controlled put options over 5.19 million shares, also subject to the voting rights arrangement, with the relevant BHP subsidiary retaining the right to be granted proxy votes to be cast against any resolution to approve an issue of Bell Resources shares to the Bell Group or any other associate.

Last night BHP was unable to say how much time it would need to complete the details of its substantial shareholder notice.

It said earlier in the day it was having trouble finalising the details required to allow the notice to be lodged.

The reaction of the NCSC to the BHP application for extension was unavailable last night. However, it is understood that the NCSC would require BHP to lodge its notice before this afternoon's Bell Resources extraordinary general meeting.

BHP is attempting to block Bell Resources' planned placement of shares with its Bell Group parent in an effort to stop the financing arrangements put in motion for the Bell takeover bid for BHP.

Keating Role Detailed, Analyzed

Broadway THE NATIONAL TIMES in English 7-13 Mar 86 pp 5, 11

[Article by Geoff Kitney]

[Text]

WHEN Federal Cabinet last Monday finally got around to formally discussing the BHP takeover bid, Treasurer Paul Keating was characteristically blunt.

He was not going to be bullied by trade union leaders like John MacBean into a course of action which was wrong, he said.

The Federal Government inquiry which the trade unions were demanding into the Bell Resources bid for a controlling interest in BHP was nothing more than a move aimed at stopping the takeover.

A decision to set up an inquiry into the Bell bid, Keating argued, would be a decision to block it. The Government should not allow itself to be forced into this position.

When Keating had said his piece, Defence Minister Kim Beazley, who was also opposed to an inquiry, observed that a decision not to establish a Government inquiry would be of at least equal moment.

It would almost certainly clear the way for the Bell bid to succeed.

From a generally agreed position three weeks ago that they did not see any role for the Government in the BHP-

Bell contest, Cabinet Ministers by last Monday found themselves in a pivotal position.

An informal discussion in Cabinet of the implications of the Bell bid when it was first made had concluded that it was a matter for the two companies and that this should be the Government's public position.

And so it was initially. But the pressure on the Government from BHP and trade union and political leaders in New South Wales became intense and Bob Hawke started to worry that the Government should be showing more concern about the implications of the takeover for steel industry employment than it had so far indicated.

Hawke has a lot of loyal supporters in the New South Wales Labor movement and their representations had real force.

During last week Hawke's attitude gradually shifted: by Friday he was talking publicly about the need for Cabinet discussions on whether "there are some elements of our economy which are within the control of a single enterprise that are so important that there may be a question of the public interest being involved and needing to be investigated".

But within a couple of hours of those comments by Hawke in Melbourne, Keating was saying in Sydney — in an interview that did not go to air until Sunday — that he was opposed to the idea of government intervention.

Keating said that if the call for an inquiry was simply an attempt to flatten the Bell bid the Government should have no part of it.

HE TOLD his interviewers that he was not aware of any proposal before the Government for any sort of inquiry and had not been advised that the matter would go before Cabinet on Monday.

His comments suggested an extraordinary lack of communication between the Prime Minister and the Treasurer and pointed to a potentially serious conflict between them on this issue.

On Monday morning when he arrived in Canberra for the Cabinet meeting Keating repeated and strengthened his views against an inquiry.

By the time Cabinet met, Keating's public stand against intervention in the BHP-Bell conflict clearly already had majority support. He had successfully pre-empted the debate.

Despite the concern of some ministers that the Government had got itself into a situation where whatever it did was likely to have a decisive influence on the outcome of the Bell bid, Hawke did not pursue the idea of an inquiry.

Ministers instead agreed that, in view of the concerns of the unions and sections of the Labor Party, a committee of ministers should meet with BHP and Bell officials to seek undertakings about the future of the steel industry

Some ministers who indicated they still had their own concerns about the implications of the Bell takeover move were told to save their questions until next Monday when the ministerial committee would report to Cabinet on the outcome of its discussions with BHP and Bell and the questions could be more easily answered.

Despite these concerns there seems little likelihood that Cabinet next Monday will want any further government involvement in the issue.

But while the Government's direct involvement will probably be brief and, on the part of some ministers, reluctant, the events surrounding it have highlighted a significant change which has been going on largely unobserved within the Labor Party.

That is the gradual unravelling of the ties that bind Paul Keating to his New South Wales right-wing power base.

Over the past three years, and particularly over the past 12 months, Keating and his NSW supporters have been drifting apart.

That is not to say that Keating's power base has been eroded. In a crunch he would still have the Right's numbers.

But on several key policy issues there have been major differences of opinion between Keating and his colleagues from the New South Wales Right.

His factional colleagues, for example, were very lukewarm about his push for a broad based consumption tax during last year's tax debate because they feared its electoral consequences.

In the end they reluctantly backed him for no other reason than the fact that they believed factional loyalty required it.

But privately people like John MacBean, Keating's successor as State ALP president, and other members of his faction were highly critical of what they described as Keating's loss of touch with political reality.

On economic policy some of his colleagues from the Right are starting to share the Left's concern about the impact on Labor's traditional constituency of another round of politically sensitive spending cuts.

Although they are not at the point of revolution, some are saying privately that major spending initiatives on items such as lifting pensions towards the target of 23 per cent of average weekly earnings have to be implemented long before the next Federal election.

And on industry policy a lot of Keating's right-wing supporters in the trade unions and the Labor Party are concerned that his intellectual attraction to so-called economic rationalism has made him forget his faction's traditional commitment to protecting workers in the processing and manufacturing industries which are so vital to the New South Wales economy.

On this issue the Right and the Left are very close, a fact which was demonstrated at the last ALP national conference.

There they voted together to give the party platform a more protectionist flavour than had been proposed by Industry and Commerce Minister John Button.

Button has similar views to Keating's on industry protection.

John MacBean and the NSW Labour Council and the union-linked sections of the Labor Party don't like the non-intervention, lower protection views that Keating now embraces.

The extent to which their views differ has been quite graphically highlighted by the BHP-Bell issue. There has been real heat in the remarks MacBean and Keating have been making about each other.

Many of Keating's NSW supporters have been genuinely dismayed by the way he has dismissed their concerns about the threatened takeover of BHP and what they consider as his pre-empting of the Cabinet debate.

But one person who is close to Keating and agrees with his stand observed: "What this conflict shows is that Paul has advanced in his thinking beyond the traditional thinking of the union movement and many people in the New South Wales Right about these industry policy issues. He made that jump a couple of years ago.

"As a result he probably has broader appeal in the party."

A New South Wales colleague commented: "Keating is impatient to be leader of the party. It could be that he is trying to broaden his appeal.

"But I think that on the BHP issue he is doing what he always does. He makes up his own mind about things and then expects people to follow him."

Whether Keating is just growing away from his New South Wales power base or whether he is quite deliberately trying to develop a wider constituency on which he can build his leadership ambitions is difficult to judge.

But it is interesting that on the BHP-Bell issue it was Bob Hawke who was more willing to listen to, respond to and be seen as having some sympathy for the views coming from New South Wales than was Keating.

There are certainly some influential people in the Labor Party who have indicated that they would consider Keating to be a much more attractive leadership candidate if he was less closely tied to the thinking and the political style of the New South Wales Right.

But whether Keating is a candidate at all for the leadership after Hawke depends most fundamentally on what happens to the economy through the rest of 1986 and into the following year leading up to the next Federal election.

Keating made it clear at Tuesday's Budget Cabinet meeting that he has not lost his nerve about the risks of shifting from a tight monetary policy to a tight fiscal policy.

Despite the concerns of some of his colleagues that this course could take the economy into recession, it seems likely that Keating will continue to get his way on economic policy.

If he is wrong and his Cabinet critics are right, Keating will have to pay what for him would be the ultimate political price: giving up the heir apparent's mantle.

Liberal Party View Criticized

Sydney THE SYDNEY MORNING HERALD in English 17 Mar 86 p 12

[Editorial: "Liberals' Two Voices on BHP"]

[Text]

WHAT IS the authentic voice of the Liberal Party, the party of business, on the tangled BHP takeover saga? The party would no doubt say there is no question about that. After an unusually long meeting on Thursday, it emerged with a position based on three principles. These, as Mr Howard has stressed, are that there should be complete neutrality between the parties; the decision as to who owns BHP was for its shareholders and no one else; and there should be no change in the rules of the takeover game once it has started.

Cutting across this solemn talk of neutrality and non-interference, however, is the former South Australian Premier, Mr Steele Hall, with his ringing denunciation in Parliament of Mr Holmes à Court and all his works. He gave examples of Mr Holmes à Court's broken promises in the past. He said his promises on BHP's steel division were "not worth a tinker's damn". He questioned the Government's action in pressing on with changes to the Trade Practices Act "to help a corporate raider whose record in national development is that of being the greatest shuffler of share certificates in our history".

To all appearances Mr Steele Hall is out of step with his party, breaking ranks to attack the Government for its threat to allow the "deliberate execution of Australia's biggest and most responsible company". But it is by no means clear that he is in such a minority as his apparent isolation might suggest. Mr Howard and other Dries in the party might have determined the front presented to the world, but there is a doubt whether the appearance of neutrality and non-interference they are projecting is much more than that. How "neutral", after all, is a policy that will force the withdrawal of the Holmes à Court bid?

The issue that has brought the Liberals into sudden prominence in the BHP drama is the importance assumed by moves to amend Section 50 of the Trade Practices Act. This section, introduced in 1977 by Mr Howard, requires an inquiry before there can be a takeover of a monopoly. The Government amendment would allow such a takeover, unless that creates an even less competitive industry or environment. If the section stands, an inquiry into the BHP takeover will take place, thereby giving BHP the breathing space it wants.

The problem for Mr Howard and the credibility of his policy is that this amendment is embedded in a bill, now in its third reading, which contains other amendments that the Liberals argue will force excessive regulation of corporate activities. Mr Howard is adamant that in opposing this bill, the Liberals are not deliberately helping BHP. His concern, he says, is about the larger issue of unnecessary bureaucratic red-tape.

It is clear that what the Federal Government ought to do is split into two separate bills the changes it is proposing to the Trades Practices Act. This will enable the Liberals to vote against the bill to further regulate corporate activities. On the Section 50 Bill the Liberals will then be put to the test. They can maintain the dubious argument that the "rules shouldn't be changed once the game starts". The amendment, in fact, had been put in motion before the Holmes à Court bid was made. Or they can be neutral in their actions as well as their words. This, of course, would require the party to support the Section 50 amendment.

Commentary on BHP Moves

Sydney THE AUSTRALIAN in English 18 Mar 86 p 15

[Commentary by Bryan Frith: "BHP Submits to NCSC Disclosure Notice Request"]

[Text]

BHP has agreed to a request from the National Companies and Securities Commission (NCSC) to serve Section 261 disclosure notices upon a group of sharebrokers, including its broker, J.B. Were & Son.

Were has been conducting a visible support-buying operation for BHP shares during the past three months.

BHP earlier this month refused to comply with a notice from Mr Robert Holmes a Court's Bell Resources requiring BHP to serve the disclosure notices.

BHP took counsel's advice before refusing to send the notices. The company told Bell Resources it had been advised that it was "neither required, nor empowered" to send the notices, although it did not give any reasons supporting that view.

BHP's action was contrary to the commonly accepted interpretation of Section 261 disclosure requirements.

Bell promptly wrote to the NCSC, pointing out BHP's refusal and asking that the commission seek immediate compliance.

BHP has now agreed to a request from the NCSC to forward the disclosure notices to the sharebrokers, "nothwithstanding that BHP has received legal advice that it is neither entitled nor obliged" to send the notices.

BHP expected to send the notices out last Friday. The brokers have two days after receipt of the notices in which to reply.

Were has been a heavy buyer of BHP shares since it was appointed BHP's broker and a corporate adviser, and is commonly believed to be buying for parties friendly to BHP.

The nominee company of sharebroker Potts West Trumbull, in response to a Section 261 served by BHP at the request of Bell, stated that it had delivered BHP shares to a string of brokers, including Were and Macquarie Davis, the broking arm of BHP's corporate adviser, Macquarie Bank.

Bell is particularly interested in trying to identify the beneficial ownership of the shares bought by those broking firms.

Meanwhile, a curious situation appears to have developed in relation to BHP shares which had been registered in the name of SEN Pty Ltd, the Melbourne Stock Exchange's nominee company. Use of the central nominee can avoid disclosure of the identity of both the buyer and seller in a transaction.

In February more than 13 million BHP shares were reg-

istered in the name of SEN. Late last week SEN replied to a Section 261 inquiry initiated by Bell Resources. SEN said only 4.3 million shares were held in its name on behalf of six brokers.

However, Were accounted for 4.29 million of these shares. Bell Resources will no doubt seek to ensure that BHP sends disclosure notices to Were to continue the hunt for the beneficial ownership, which could include Invia Ltd, an investment company associated with Were which manages unit trust, superannuation and fund portfolios and money market portfolios.

The intriguing question is what happened to the other nine million BHP shares? It hardly seems likely that they were all sold on the sharemarket.

BHP had seven days after receiving the notice from Bell requesting it to serve a disclosure notice upon SEN.

It would seem likely that a substantial number of BHP shares were transferred from SEN to another name, or names, between the time that Bell requested BHP to serve a notice upon SEN and the reply from the nominee company.

Laver's serve

THE steel industry was being used by some overseas governments as an expensive form of social security, causing immense damage to the industry, the general manager of BHP's Steel International Group, Mr Peter Laver, said yesterday.

However, he said the tough actions taken under the Federal Government's steel plan meant BHP was now one of the world's most profitable independent steel producers.

There had been a "shake out" in the industry and progressive rationalisation in recent years.

Addressing the sixth International Rail Track Conference at the Regent Hotel in Sydney yesterday, Mr Laver said the United Kingdom, France and, to a lesser extent, other European countries, and steel makers in Korea, Taiwan, Brazil, Argentina and South Africa had heavy government support.

He said those steel producers set the prices, which resulted in the world steel industry operating at losses of $20 to $30 a tonne.

The British Government would not shut down two unnecessary plants because of the political implications.

"It was prepared to keep steel workers on the payroll as a very expensive way of paying social security," Mr Laver said.

BHP was now more competitive in "a very troubled and chaotic industry" particularly with its locally available energy needs, he said.

BHP had a $142 million loss on its steel operations 2½ years ago.

But, in the half year to November 30 1985, BHP Steel International, which includes its coated products division (formerly Lysaghts) and wire production division (formerly Australian Wire Industries), had a profit of $142 million.

AAP

Columnist Urges Inquiry

Melbourne THE AGE in English 17 Mar 86 p 13

[Commentary by Maximilian Walsh: "BHP and the Balance of Payments"]

[Text]

THE elaborate lengths to which the Hawke Government is apparently prepared to go to prevent an inquiry into the BHP takeover must inevitably invite speculation whether the Government is informed by irresponsibility or more sinister motives.

The only argument raised against an inquiry is that it would constitute an intervention by the Government into the market place.

Apart from noting that there are times when the Government should intervene, the mere holding of an inquiry has only one predictable effect on the market place — it delays the ultimate outcome.

This can work to the disadvantage of some.

Of all the people in the world, Robert Holmes a Court understands this. He along with Alan Bond, both owners of TV licences in Western Australia, have engaged in legal challenges to the issuing of a third TV licence in the West that have prolonged the official hearing for an outrageous period.

In the process, the field of applicants has been reduced to one by the financial burden of the hearings.

At the same time, the lucrative Perth TV advertising market has been barred from new entrants.

The licence when it is finally issued, will come too late for the America's Cup races.

If it is good enough for Mr Holmes a Court to stall the issuing of a TV licence in Perth to test the public benefit of such a licence, it should not be too much for the Government of Australia to stall the resolution of the takeover bid to test a much more important public interest.

Let me advance two good reasons why Senator Gareth Evans should stop coming up with legislative gimmicks aimed at preventing an inquiry by the Trade Practices Commission and go along with the law as it now stands.

First there is the subject of taxation.

It is quite extraordinary that Government sources can be quoted as saying quite blithely that a successful bid by Mr Holmes a Court will mean a reduction in tax collections of "only $20 million" a year.

But beyond that, there are much more important tax questions that should be aired.

The Government should remember that the bureaucracy has an undistinguished record in the tax area.

It took the first Costigan report to reveal that the whole bottom of the harbor tax scam might never have occurred had the Crown Law office diligently pursued its duties.

Instead, what could have been a precedent establishing challenge to the bottom of the harbor schemes was "filed" in the bottom of somebody's desk in Perth.

I would not have thought the same thing could happen again.

But after writing about the increased use of redeemable preference shares as a way of avoiding company tax last week, I was contacted by a person whose knowledge of the tax act I respect.

He pointed me at the Income Tax Assessment Act with the following observation :

"The interesting thing about section 50 and 50B which deals with the interpretation of that section is that combined with section 6 and particularly section 6.4, the Commissioner of Taxation would appear to have a case to reclaim a lot of tax that has been avoided in both preference share issues and takeover deals."

I won't go into the description and arguments of what is involved in these sections of the tax act because of their technical complexity and the fact that there could be other sections of the act — although I do not know of them — which overwhelm those cited.

But let me say the advice was from somebody whose expertise I trust and it concluded with the following:

"What all this boils down to is that this would seem to be another instance when there has been a loss of major proportions in revenue that could have been avoided with aggressive administration of the existing tax legislation. The development of a major avoidance industry has resulted."

The official statistics, which show a rapid contraction in the corporate tax base, certainly go a long way to validating that last sentence.

I have no wish to pillory or convict the Tax Office of not carrying out its responsibilities.

But there is something rotten in the state of corporate taxation, something which is not going to be satisfactorily dealt with by an in house report to the Treasurer.

A Government concerned about its own reputation and place in history should welcome the idea of a public inquiry which ventilated the hidden world of tax avoidance in the corporate world.

The second reason why an inquiry should be accepted by the Government is even more important, although less specific.

The collapse in oil prices, the slide in grain prices and the general weakening of commodity prices have raised the probability of a balance of payments crisis .

BHP is both Australia's largest exporter of manufactured goods and energy — in the form of both coal and oil.

The future of the corporation is central to the balance of payments outlook — a feature which will now dominate all economic policy making in this country.

This is not going to be a short term problem.

We are in for years of pain on the balance of payments front.

Production of crude oil from Bass Strait will peak this year.

According to an economic model developed by the stockbroking firm Wilson and Co., oil production from Bass Strait will reach 516,600 barrels a day this year.

Then, because of reduced reserves, it will taper off quite quickly. In four years time, 1990, it will be down to 396,800 barrels a day — a drop of 25 per cent.

Within four years we will, in the absence of a discovery of Bass Strait proportions, move from a position of effective self-sufficiency (exports now balance imports of petroleum) to being an oil importer again.

The run down in Bass Strait production will be very fast indeed.

According to Wilson and Co., output in 10 years will be down to 42,500 barrels a day — less than 10 per cent of today's figure.

The implications for our balance of payments are frightening.

One can almost say we are fortunate to have our mind focused on the balance of payments problem now so that we can begin the adjustment process.

The truth is that the Government mind has not yet locked on to the balance of payments problem. It has been living in the Treasury cloud cuckoo land of J curves, where adjustment takes place in a smooth, painless and rapid fashion.

In fact, adjustment of the type Australia faces will be uneven, painful and slow. The development of our abundant national endowments from the early 1960s accelerated the demise of our manufacturing industry.

The outlook for our basic commodities is anything but encouraging and the end of self-sufficiency in petroleum will necessitate the development of new export products, be they goods or services.

Put simply, our failure to identify and develop new exports will condemn this nation to a fairly rapidly falling standard of living. This will be accompanied by large leaps in levels of unemployment and quite a deal of social friction.

I am not being alarmist in drawing attention to the inevitable consequences of a prolonged balance of payments crisis in this country.

So far, there is precious little acknowledgement in Canberra that such a prospect exists.

A public inquiry into the short term outlook of BHP might have the educative effect of drawing attention to the wider national problems we face.

It is no exaggeration to say that what is bad for BHP will be bad for Australia.

Editorial Advises Investigation

Melbourne THE AGE in English 18 Mar 86 p 13

[Editorial: "Investigate the BHP Takeover]

[Text]

IN a fight to control a monopoly corporation with operations in strategically vital industries, such as steel, oil and coal, which employs about 60,000 people and whose annual tax bill is a significant slice of federal revenue, it is hard to know where the public interest starts and ends. Does the Federal Government best serve the public interest by protecting the company — BHP — against the advances of Mr Robert Holmes a Court on the basis that it is too important and successful a corporation to allow it to be grabbed in a heavily debt-financed takeover? Or does it decide that the greater long-term public good is served by allowing the market, comprising entrepreneurs, shareholders, financiers and established companies, to make its own decisions? It is not an easy choice, but for reasons which still remain cloudy the Government plumped for the latter. After asking a few questions of BHP management and Mr Holmes a Court, it decided to leave the market alone.

That was its first position, adopted a full week ago. Since then, there has been considerable wrangling between the Government, the Opposition and the Democrats about legislation to amend trade practices law, and the Government is reported to have decided to split the proposed changes into two groups in what seems to be an attempt to avoid at all costs an inquiry into the takeover attempt. The Government can argue that this is part of its effort to remain neutral and to ensure that the market alone decides the fate of the bid. But to us it seems that by splitting legislation the Government has become too involved to claim neutrality. Had it been wholly independent, it would have pursued the legislative changes without regard to their impact on the takeover. Instead, it is apparently ready to go to the remarkable length of restructuring its handling of legislation to achieve a specific result — one that favors Mr Holmes a Court. This is hardly impartial detachment.

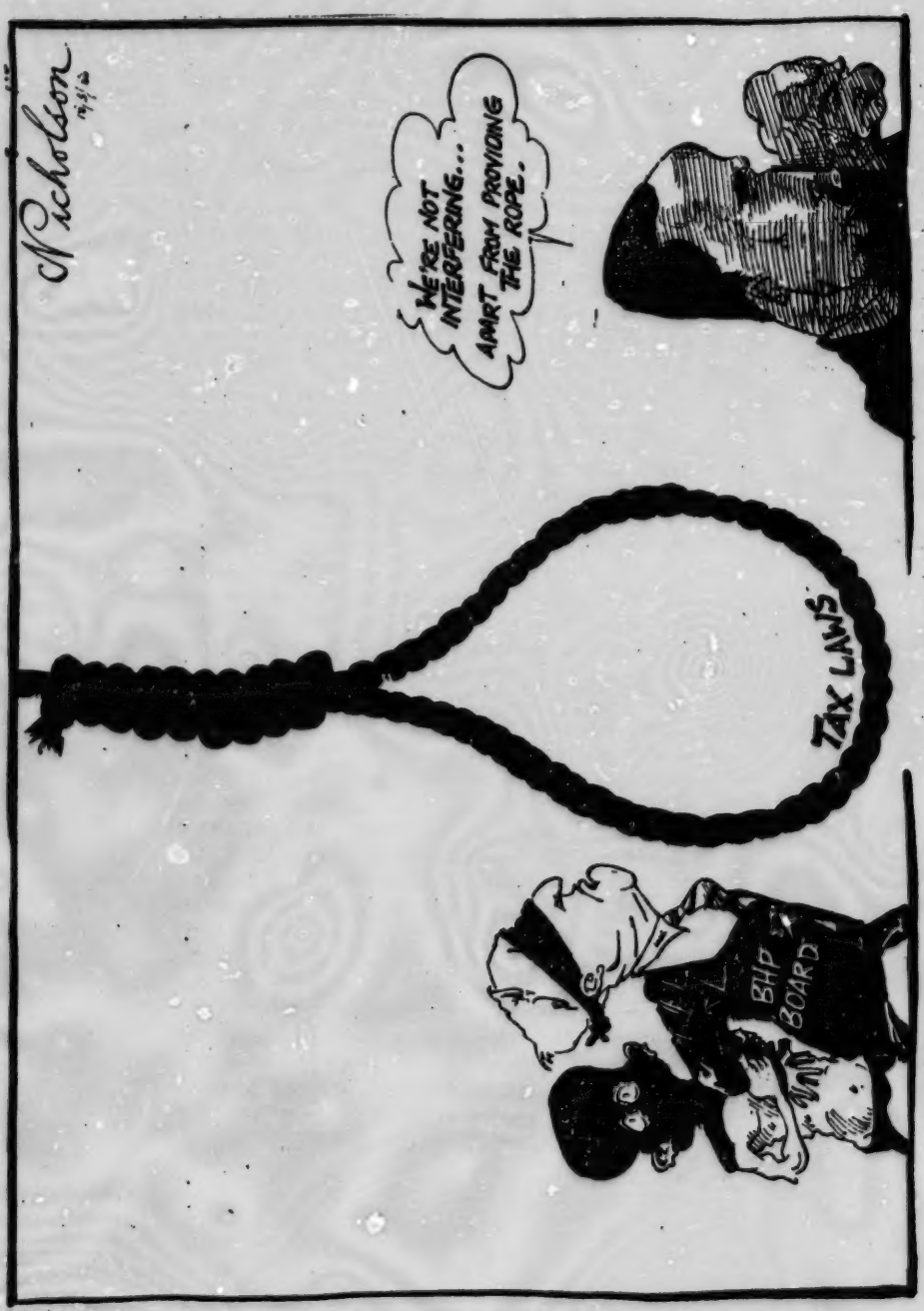
The crucial amendment, which will be split from the rest, would alter the existing section 50 of the Trade Practices Act to allow monopolies to be taken over without examination by the Trade Practices Commission. In passing, this seems an undesirable change, and we can see no good reason to allow gross imperfections of the market, such as monopolies, to be perpetuated without challenge. At the very least, the commission should be able to guard the public benefit in the transfer of ownership of monopolies. But given that the original proposed package of changes, including that to section 50, are likely to be rejected today in the Senate, the proper course for the Government to adopt would be to allow the commission to proceed with an inquiry. This might take a month or two and might in itself influence the outcome of the takeover battle. But it would allow the takeover to proceed according to the existing rules, and the wishes of Parliament, without deliberate meddling from the Government.

We have on earlier occasions opposed a special inquiry or interference in the takeover, preferring to allow the market (imperfect as it is) to decide. We have also been wary that any intervention could set an awkward precedent for the conduct of future bids for dominant companies. Now the position has changed through the actions of Parliament. Without wishing to prejudice the outcome, we believe there is reason for the commission to investigate the takeover. It will now take interference by the Government to stop it. We believe the commission should hold its inquiry to establish whether or not the takeover will benefit the public. The Government should also discover, through an inquiry of its own if the information has not been gathered already, a good deal more about the impact of debt-financed takeovers on the national tax base and on corporate profitability and efficiency. This information could be sought at the same time as the commission conducts its inquiry. Then we would all know — MPs, shareholders and the public — what is at stake in the power play between Mr Holmes a Court and BHP.

Cartoon Lampoons Government Role

Melbourne THE AGE in English 18 Mar 86 p 13

[Cartoon]



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THAI PAPER CITES REPORT ON ANTI-INSURGENT OPERATIONS

Bangkok BANGKOK POST in English 14 Mar 86 p 1

[Text]

LAOS has said its security forces boosted anti-insurgent operations last year and killed more than 400 people it described as political enemies.

Radio Vientiane said in a recent report monitored by AFP in Bangkok that its forces, comprising militia and self-defence units, during the year launched 309 strikes against "bandits, enemy agents and those having ill intentions towards the country".

The report said the forces "put out of action" 1,488 political "enemies", killing 407, wounding 290, taking 130 prisoners and persuading 661 to surrender.

It said this figure was 20 times higher than in the previous year and that in most cases the security forces acted alongside regular troops. In 1984, Laos said it had carried out 22 strikes and had "wiped out" 70 insurgents.

The report did not say whether the security forces suffered any casualities.

During the action, it said, 4,883 people were "retaken", which indicated they had been prisoners of the insurgents, and that 576 "bandits" were "rehabilitated".

It was likely the insurgents included members of several armed resistance groups against the communist government in Vientiane.

Deputy Prime Minister Phoumi Vongvichit said in June that the government considered it had effectively put an end to anti-communist guerrilla activity.

Mr Phoumi said the resistance was only able to muster up a few men to attack goverment forces and was not a threat to the communist regime which was set up in December 1975.

Latest estimates put the guerrilla strength at between 3,000 to 4,000 men, many of whom belonged to the Meo ethnic group.

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LAOS

ELECTRICITY PRODUCTION, REQUIREMENTS FOR FUTURE

Hanoi VIETNAM COURIER in English Jan 86 p 22

[Text]

Laos has great hydro-electric potentials. According to surveys conducted in February 1984 by the Mekong River Committee, of the 80 registered hydropower projects in the Mekong River basin, those on Lao territory account for nearly 60 per cent of the total output. Some major projects, e.g. Nam Thom and Nam Ngeum have been built in favourable conditions and produced electricity at low costs. Electrical energy now produced in Laos not only meets domestic demands but is also exported to Thailand.

The largest source of electric power in Laos at present is the Nam Ngeum hydro-electric power plant. By late 1984, the installation of the No. 5 turbogenerator was completed bringing the plant's capacity to 150mw and its average annual output to 900 million kwh. Since 1979, the plant has produced more than 7 billion kwh. In addition, 300,000 kwh are produced each year by five smaller hydro-electric stations and 14 diesel-powered stations.

For the time being the two Lao provinces of Champasak and Kham Muon are importing electricity from Thailand through a 22-kilovolt line, while near Vientiane, Laos exports electricity to Thailand through a 110-kilovolt line.

Most of the electrical energy of the Nam Ngeum hydro-electric power plant is exported to Thailand bringing in foreign-exchange earnings amounting to 50 per cent of the total value of Laos' exports in 1984.

At present, the average output of electrical energy in Laos is 250 kwh per head, but only 20 per cent of this is used, the present demand being about 42 kwh per head.

Electrical energy is mainly used in Vientiane, mostly for lighting and household appliances (88.76% in 1983). Electricity requirements for agricultural and industrial production is not very large, about 10 per cent.

* * *

The Lao People's Democratic Republic is shifting from a natural economy to a commodity economy and is advancing to large-scale socialist production. Thus, the demand for electrical energy will increase. Now, Laos requires 200 million kwh per year; by the year 2000 the figure will be 1 billion kwh. To meet the demands of domestic consumption and export, the Lao People's Democratic Republic has worked out a programme which provides for the expansion of the grid and the building of many small and very small hydro-electric power stations, especially in the mountain regions and other remoted areas, thereby creating a decisive factor in the renovation of the ethnic minorities' cultural life. Besides hydro-electric power, attention will be paid to other sources of energy such as coal, wood, biogas, etc. The preservation of energy resources and the rational use of energy in production and consumption will be the object of national policies now being elaborated.

/9317
CSO: 4200/880

LETTER WRITER GETS RESPONSE ON UNEMPLOYMENT COMPLAINT

Vientiane VIENTIANE MAI in Lao 1, 3, 4 Feb 86

["Conversation With the Editor" column: "What Are the Reasons for This?"]

[1 Feb 86 p 2]

[Text] [Question] There is a fairly large number of students who have graduated from senior high school including me who have not been assigned any jobs or further studies, especially in my case (I graduated in 1981-82). When I asked the school they told me to wait or, if possible, to go ahead and look for a job. I hope you can clear this up for me. From Vongchak Solangsi, 26 December 1985.

[Answer] 1. Each year there is an increase in the number of senior high graduates. I would like to recognize those teachers who attentively teach and who have made teaching and learning progressive and strong.

2. The problem of continuing to study abroad is, as we mentioned in (a), that there are many students who graduate each year while the number of scholarships for studying abroad is limited. Therefore, screening for outstanding students is limited by the available funds, which cannot be increased.

3. The same goes for studying in our country. Focusing on the 10-year period since the establishment of the LPDR, we have just built one polytechnic school in Vientiane Capital. In addition, it is mixed in with other institutions which, even though they are expanding, are still not fulfilling the needs of society. Thus, the response to the problems of studies and to employment has been slow.

[2 Feb 86 p 2]

[Text] 4. In terms of occupations, the government has a true need for people, but only for those whose occupation matches the task. We avoid the phrase "there are people, but there are no people." This means what while there are many people, there are only a few who can do the job. For example, in an office where there are 50 cadres and workers but only 10 people to do the work seriously, then the remaining 40 work very little and when the end of the month comes they get the same salary. They go to work when they

feel like it and, for example, they go whenever they want with no regard for the task assigned to them. When a difficult task is assigned to them they cannot do it, and when an easy one is assigned they say they are not fit for it, so that there is always some objection. They only know how to criticize others. They do no work themselves. This is what is meant when we say "there are people but there are no people." Therefore, we must be somewhat strict in assigning people to work.

5. Our government policy mainly wants people to turn to the production base, but most people do not yet understand what they should really be doing. They only know that production means growing rice. They do not understand that production has a broad range, for example, in the factories, companies, etc. Therefore, when they are assigned to production bases they often object. Speaking in a narrow sense, it is often seen that whenever someone is assigned to study to become a teacher he does not want to go, but instead he wants to engage in trading and other things that will make him rich instead. This is the old and backward ideology, the ideology of the feudal warlords who were choosy about their work. This ideology is not in agreement with the new socialist man, which results in difficulties and problems in organizing. Consequently, there are more people than there is work ("more people than work" means that the people who are fussy about their work do not go where the organization sends them).

[3 Feb 86 p 2]

[Text] These are some of the problems and some of the phenomena for you to think about as to whether what I have said is true or not. You must believe that the organization will not let people wait for a long time before being assigned to a job or position because it would cause an undesirable gap in society. However, you must realize that it cannot be done all of a sudden because we have just set up a new regime; it is impossible for us to get what we want because our country is poor and backward. If we wish our country to progress rapidly we all must become driving forces together. We must not be in conflict with each other. We must not be choosy about our work. We must decide to do our work and finish it. We must do it creatively. Whatever we do, we must make progress. If we can do this, our country will make rapid progress because our party and government have correct policies, and we cannot because the people do not yet deeply understand the policies and their means of implementation. We have problems in whatever we do. We cannot become a driving force by ourselves, etc.

9884/6662
CSO: 4206/77

BRIDGE CONSTRUCTION WORK ON ROUTE 9

Vientiane NEWS BULLETIN in English 24 Feb 86 pp 1, 2

[Text] Vientiane, February 24 (KPL)--The construction of bridges on Route No 9 linking central Lao Savannakhet province and Vietnamese Danag port is being carried out in full swing.

The building work of Se-Bank hieng river bridge--the last of the 5 biggest bridges of over 200 meters on the strategic Route No 9--is half completed. The construction of this bridge is being assisted by the Soviet Union while that of the already completed four bridges was helped by the other socialist countries. The Se-Champhone and the Se-Sang Soi river bridges were respectively built with the Bulgarian and Hungarian assistance, whereas, Se-Koummane and Se-Thamouak river bridges were accomplished with the Czechoslovak help.

Sommat Pholsena, member of the Route No 9 construction board recently informed KPL correspondent that the construction of other small and medium size bridges on this strategic route are being undertaken by the Lao workers together with Vietnamese experts. Five out of nine bridges of this category are built by the Lao side, while the other four are left to be undertaken by the Vietnamese B-84 construction unit. He pointed out the construction work of these bridges are in progress.

Sommat Pholsena added that in 1986, 51 km long portion of this route will be asphalted so far 70 km is already asphalting by Laos and Vietnam.

The construction of this 244 km strategic highway is of great importance to the economic development of the Lao PDR. When complete, it will give the Lao PDR--a landlocked country--an outlet to the sea.

In the old regime, Laos was totally dependent on Thailand on the flow of goods. And Thailand has unilaterally closed its border with Laos on several occasions with no regard for the Barcelona treaty in connection with the in-transit goods to landlocked country.

/9317
CSO: 4200/880

BRIEFS

VIENTIANE AGRICULTURAL PRODUCTION INCREASE--The 1985 agricultural production throughout Vientiane Capital expanded more than it did in past years. The outcome was as follows: The total wet-rice production area in 1985 was 36,252 hectares and yielded 88,296 tons of rice. This was a 0.26 percent increase in area and a 25.5 percent increase in production as compared with the figures for 1984. The total area for dry-season rice production is 6,000 hectares and the yield was 16,324 tons of rice, a 20 percent increase in terms of cultivated area and a 25.5 percent increase in terms of production over that of 1984. The total highland rice cultivation area is 1,207 hectares, which yielded 1,448 tons of rice; the cultivated area decreased 13 percent from that of 1984, and there was also a 13 percent decrease in production. Because of the increase in the cultivated area and productive capacity for rice in 1985, Vientiane Capital was able to produce a total of 106,068 tons of rice. They became self-sufficient and carried out their obligation to the center by giving 8,600 tons of rice, and they were also able to keep the rice price in the market at a normal level. [Excerpt] [Vientiane VIENTIANE MAI in Lao 5 Feb 86 p 1] 9884 /6662

VIENTIANE STATE TRADE, PRIVATE SECTOR--In 1985 the trade network throughout Vientiane Capital was improved and expanded. For example, in 1984 there were only 7 district stores, but in 1985 there were 18. In 1985 there were five stores under Vientiane Capital and seven in 1985, including two stores for foreign currency and one department store. In 1984 there were 12 state stores, and in 1985 there were 35. Of these, 7 stores were under the Vientiane Capital Trade Company, 10 were government employee stores, 71 were state-private partnerships, and 21 were restaurants. There were a total of 154 trade co-ops, a 5.8-percent increase over 1984. The trade network has many new factors in 1986 by continuing to improve the trade machinery and aiming at managing the private sector so that it will be under government supervision, setting up state-private partnerships, improving sites for trade co-ops, organizing and signing trade agreements with provinces in the country, and also focusing on all-around cooperation in trade between Hanoi Capital and Ho Chi Minh City and fraternal socialist nations. The Vientiane Capital Trade Company also has trade cooperation agreements with a number of capitalist countries to obtain goods to raise the standard of living of the people step by step. [Excerpt] [Vientiane VIENTIANE MAI in Lao 5 Feb 86 pp 1, 4] 9884/6662

VIENTIANE TAX COLLECTION--Since early 1985 the revenue cadres in Saithani District, Vientiane Capital, have been carrying out their specialized tasks by actively collecting enterprise taxes, license taxes, profit and salary taxes, and fees from 396 trade bases throughout the district. The obtained a total of over 2 million kip, or 128 percent when compared with the figures for 1984. [Excerpt] [Vientiane VIENTIANE MAI in Lao 7 Feb 86 p 1] 9884/6662

VIENTIANE TRADE COOPERATIVES--Since the end of 1985, Vientiane trade cadres have been pushing forward collective co-op reforms among production bases in six districts: Thoulakhom, Phon Hong, Keo Oudom, Vang Vieng, Kasi, and Sanakham. Up to now they have led the people in organizing 28 trade co-ops, of which 9 outstanding units are in Sanakham District. Each trade co-op unit is run by the people's capital by signing a monopoly agreement with the government in order to guarantee good business and to raise steadily the standare of living of the workers. [Text] [Vientiane VIENTIANE MAI in Lao 7 Feb 86 p A3] 9884/6662

HMONG PEOPLE RESETTLED--Vientiane, February 10 (KPL)--One hundred Hmong families in Phongneuy and Namthai hamlets, Mouang Meun village, Feuang district, Vientiane province who traditionally practiced the wasteful slash and burn method of cultivation have recently adopted fixed farming. The local authority of Phonethong hamlet, in the above district and province, has provided the new settlers with 300 hectares of arable land and agricultural equipment. [Excerpt] [Vientiane NEWS BULLETIN in English 10 Feb 86 pp 1, 2] /9317

CSO: 4200/880

FARMERS BELIEVE MARCH ON PARLIAMENT GAINED COMMITMENT

Auckland THE NEW ZEALAND HERALD in English 7 Mar 86 p 2

[Text]

NZPA Wellington

Farmers who marched on Parliament yesterday, in protest over the Government's farming policies, left with what they believed was a commitment from the Government.

The president of Federated Farmers, Mr Peter Elworthy, said: "I believe today we have a commitment from the Minister of Finance that there would have to be help for those people whom the Government has promised to help — that is, competent farmers — to remain on their land."

Mr Elworthy and about 30 members of the federation's dominion council met for an hour with the Deputy Prime Minister, Mr Palmer, the Minister of Finance, Mr Douglas, and the Acting Minister of Agriculture, Mr Colman, after the lunchtime march arrived at Parliament.

Asked what measures the Government intended to take to help farmers, Mr Elworthy was unable to elaborate.

"What I can say is that some of the measures the Deputy Prime Minister and his associates suggested they would adopt, would, if adopted, make a big difference to farmers.

"If they can close that deficit, and get the interest rates back — as they suggest they can — that will make a big help. But it has got to happen now," he said.

"Mr Douglas in interference, suggested he was looking at just that ... or certainly major cuts in Government spending."

They did not discuss percentages, he said.

"What we are saying is cut Government spending. Mr Douglas said he was working on that full time and the Deputy Prime Minister backed him on that.

"And that is not a deviation from the Government's economic policy because they have always said that."

Mr Elworthy said farmers were advocating changes through the Rural Bank.

"We did not specifically discuss the Rural Bank, but I took it on board ... quite clearly from his comment that he was prepared to look at the fulfilment of ... their promise."

Asked if Mr Palmer gave any guarantee that things would be put right, Mr Elworthy said: "No, he did not."

"He said that he understood our problems." Farmers conveyed to Mr Palmer very effectively the anger that they had for the Government and the lack of credibility it had among them.

The Government had not realised just how difficult life was for farmers and their families, Mr Elworthy said.

"I think this meeting has made that much clearer to them. I hope they are taking the sorts of actions that they can."

/9317
CSO: 4200/885

NEW ZEALAND

DOCUMENT UNVEILS NEW FARM TAXATION PLAN

Auckland THE NEW ZEALAND HERALD in English 10 Mar 85 p 1

[Text] A new fence will be tax-deductible if it simply replaces an old fence, but not if there was no fence before, under the new system of farm taxation.

This is one of numerous examples of the new tax regime laid out in a 107-page Consultative Document on Primary Sector Taxation published today.

The long-awaited document which fleshes out the mini-budget of December 12, is mainly devoted to the intricacies of the new market-related standard values for livestock.

But for forestry and for many farmers, the most important aspect of the new policy in the long term will be the decision to abolish tax deductibility for development spending.

Until now, farmers and foresters have been able to claim all such spending as tax-deductible costs in the year in which they are spent.

Under the new system, all "first-time development" spending, including the wages involved, will be treated as an input of capital and will not be tax-deductible.

First-time

But two chapters of the document have been required to explain what is "first-time development," and what is merely replacing or maintaining existing capital and therefore tax-deductible.

"First-time development" includes, for example, new fences, new dams, initial land clearance, new horticultural support frames, new tracks and airstrips, and all weed control "to the extent that the expenditure improves the land beyond the best state it was in while in the possession of the current owner."

All costs associated with these things, including wages, fuel, contract charges and cost of materials, will not be tax deductible.

However, pulling down an old fence and building a new one in the same place, cutting scrub or spraying weeds which have grown on land which was clear when an owner bought a farm, repairing support frames and clearing old tracks or airstrips will all be treated as tax-deductible "maintenance."

'Cost of Bush'

The situation is more complex for forestry, where a third category has been introduced. This is spending which will not be deductible until timber is sold.

In the meantime, this expenditure must be accounted for in a "cost of bush account."

As for farming, most general development spending including new dams, airstrips, drainage and the cost of land itself will be treated as capital and will never be tax-deductible.

Similarly, costs directly incurred in cutting trees and transporting the timber out of the forest, as well as interest, will be fully tax-deductible.

But all other costs directly related to a particular stand of trees such as the cost of planting, thinnning, fertilising and spraying them, rents, rates, land tax, insurance and depreciation on buildings and equipment, will all come under the "cost of bush" account.

Foresters

Most of them are deductible immediately now. But, after a phase-in period which runs until 1997, they will be allowed as costs to be set against revenue only in the year when that revenue is earned.

The document proposes that foresters should have a choice between maintaining separate cost-of-bush accounts for each separate stand of trees, or for the trees planted in each separate year, or in businesses of less than 40 hectares only, for the company's forest holdings as a whole.

In the last case, costs would be allocated against revenue according to area so that if, for example, 4 percent of the are of a forest is felled in any given year, 4 percent of the expenditure in the cost-of-bush account could be deducted.

Cost-of-bush accounts will also be required for shelter belts and trees planted for erosion control. But only specified proportions of development spending will be treated as relating to the trees in cases where the land is also grazed or cropped.

/9317
CSO: 4200/885

LANGE ADVOCATES NEW RURAL BANK CRITERIA

Auckland THE NEW ZEALAND HERALD in English 11 Mar 86 p 4

[Text] Wellington--Rural Bank lending criteria should be extended to include cases where a business was still viable, the Prime Minister, Mr Lange, said yesterday.

There was obviously some support being given by the bank to farmers who were hard-pressed with liquidity problems and to whom the private sector was making noises of abandonment, he said.

But as a general rule the bank did not lend when equity had gone.

"Now I think the lending criteria should be extended. I think it is actually possible to lend constructively to a business where the equity is gone but the business is still viable."

The two were not mutually exclusive, he said.

"If I have a truck and I borrowed $100,000 on the truck the equity is gone, but if it is making money for me, well, that's a business. Same with farming."

Mr Lange also said the Government and private sector should consult on how particular mortgage stresses could be relieved.

"Let us get some sort of package together where we each drop a bit but keep the farmer viable. That is another possibility."

Because of falling land values and high mortgage interest rates it was not in the interests of second, third and subsequent mortgagees to pay for the cost of a mortgagee auction and get nothing for it.

"That is why the Government ought to be talking, and will be talking, to the private sector to see a way through rural support until the real problem starts to rectify itself," he said.

The real problem was the price being received for lamb overseas compared with two years ago.

Earlier, Mr Lange said it was wrong for the farming sector to assume it was the only sector which had had to adjust to change.

The Government had been subjected to just as much attack from the manufacturing sector, he said.

"There is no easy solution to the inheritance that we received. You cannot keep running the country the way the last Government did, and when you change people get hurt."

Mr Lange also accused the National Party of inciting the farmers, saying the Deputy Leader of the Opposition, Mr Bolger, had told farmers to "rage."

/9317
CSO: 4200/885

NEW ZEALAND

SHOPS TO CLOSE IN SUPPORT OF WOMEN'S RURAL ACTION GROUP

Auckland THE NEW ZEALAND HERALD in English 7 Mar 86 p 2

[Text]

The Te Kuiti Business Association will support the rural women's action group this afternoon by closing their premises during a protest march through the town.

"They are 100 per cent in support of our action," said Mrs Andra Neeley, organiser of the first meeting at Te Anga 10 days ago.

Rural people, she said, were looking for something to grasp. They were angry, bewildered and unable to refinance their farms. Some faced having to walk off their properties.

Protest meetings and impromptu addresses at saleyards and other places in the area have sparked ever-growing support.

Farmers from Taumarunui to Te Awamutu have indicated their support and many will be in the march.

The march will leave from the Te Kuiti saleyards at about 2.30 pm for the town centre, where the speakers will be the MP for King Country and Opposition spokesman on agriculture, Mr Jim Bolger, the MP for Waitakere, Mr Ralph Maxwell, the president of Waikato Federated Farmers, Mr Malcolm Lumsden, and the president of the Te Kuiti Business Association, Mr David Kane.

/9317
CSO: 4200/885

FOL OFFICIAL STEPS DOWN FOR MORE SUP RESPONSIBILITIES

Auckland THE NEW ZEALAND HERALD in English 7 Mar 86 p 4

[Text]

One of New Zealand's most influential trade union leaders, Mr Bill Andersen, is to step down from national union affairs.

He will not seek re-election to the Federation of Labour national executive at the FOL conference in Wellington in May.

It is understood that part of his reason for doing so is to enable him to devote more time to the Socialist Unity Party, of which he is president.

SUP officials confirmed that Mr Andersen is to take over as national secretary of the party from May.

He will replace Mr George Jackson, who is retiring from the position he has held since the party's inception in 1966. Mr Jackson will become the party president.

However, Mr Andersen is expected to retain his position as president of the Auckland Trades Council and as vice-president of the newly formed Northern Distribution Workers' Union.

His place on the FOL executive is to be taken by his right-hand man in Auckland union circles, Mr Mike Jackson.

Mr Jackson, also an SUP member, is the general secretary of the distribution union and vice-president of the trades council.

He was the only nomination for the vacancy. Other sitting members of the FOL executive up for re-election this year have been returned unopposed.

Mr Andersen is in the Soviet Union attending the 27th congress of the Communist Party in Moscow.

He is accompanied by Mr George Jackson and is due back in Auckland in about a week.

/9317
CSO: 4200/885

NEW ZEALAND

LANGE WARNS OF FAILING INDUSTRIES, SLOWDOWN

Auckland THE NEW ZEALAND HERALD in English 7 Mar 86 p 5

[Text]

Wellington Staff

Some industries will fail as New Zealand moves into an economic slowdown this year, according to the Prime Minister, Mr Lange.

Making a virtue out of a gloomy necessity, Mr Lange told Parliament in the address-in-reply debate last night that his Government "has the guts to get up and tell people there is a slowdown."

"We are determined to live within our earnings.

"Some industries will fail. Some industries will finish. We are going to see huge changes in this country.

"The duty of Government is to ameliorate that and to help people through the change."

But despite the economic outlook, Mr Lange took a generally upbeat line in a speech which concentrated its attack on the Opposition.

He blamed the high state pay increases in the latest wage round on the National Government's wage freeze, when state pay rates fell behind private wages which continued to creep upwards.

But Mr Lange said the big pay increases awarded to police officers were needed, on the grounds of recruiting new police officers and preventing existing ones from leaving.

He attacked the Deputy Leader of the Opposition, Mr Bolger, as the leader of a new "Country Party" for saying that farmers would resort to mass non-violent protest against Government policies.

Comparing him to the Northern Ireland Protestant leader, the Rev Ian Paisley, Mr Lange said Mr Bolger was being supported by "the sycophants that currently surround the Leader of the Opposition."

He ridiculed the call by the Leader of the Opposition, Mr McLay, for a second economic summit conference.

"I want him to know why he cannot have a summit — because those people who came to it have never been the same since," he said.

"They have had to change and adapt.

"We are not going to have another economic summit conference for at least five years when they have got over it."

Mr Lange said New Zealanders knew that the Government could not simply wave a wand to make everything come right.

They knew "hard decisions" were needed.

And in a last swipe at the National Party, he said, "There can be no more surrender to the soggy mushiness of populist political policy."

/9317
CSO: 4200/885

NEW GROUP FORMING WITHIN NATIONAL PARTY

Auckland THE NEW ZEALAND HERALD in English 11 Mar 86 p 3

[Text]

A third, more pragmatic, grouping is forming within the National Party caucus to push the party towards a moderate economic policy.

The MP for Tauranga, Mr Winston Peters, said last night that the grouping shied away from extremist economic philosophies, whether interventionist or non-interventionist.

He told the party's Tauranga electorate annual meeting that it was simplistic to suggest the caucus was composed of two factions — the old "Muldoonites" and the new "McLayites."

This viewpoint dismissed the fact that Sir Robert Muldoon appreciated better than anyone that a country could not walk backwards into its future.

Dodo

"The two factions scenario belies the reality that there is a substantial body in caucus who have a vision of the type of government they would offer the country," said Mr Peters.

This group, he said, recognised that the 1984 model was "therefore as dead as the proverbial dodo."

But they knew that the inherent conservatism and conditioning that would make up the 1987 voter would demand that the National Party drew on much of its political history.

"This view has an inherent distaste for cavalier theoretical experimentation, particularly when the lives of men and women and families are involved," said Mr Peters.

A failure to adapt and reshape political principles would result in non-identification and non-recognition by the voter at the next election and that was a sure recipe for electoral disaster.

Vision

To succeed, the party had to offer New Zealanders a post-election vision where the state did not enjoy primacy over the individual.

"A country where slavish adherence to doctrinaire principles, be they Left or Right, is rejected in favour of the realities of human existence in a difficult world."

Mr Peters said the party could not afford to wait until the "economic purists" had had their day.

"The party must begin now employing all of the abilities of caucus and drawing on its successful past to shape and mould a vision in harmony with the aspirations of New Zealanders next year."

He said a plan for political survival was not enough — what was needed was a strategy for the nation's economic and social recovery.

/9317
CSO: 4200/885

NATIONAL PARTY CAUCUS SUPPORTS MODERATE ECONOMIC APPROACH

Auckland THE NEW ZEALAND HERALD in English 12 Mar 86 p 3

[Text]

The carving out of a moderate economic approach for the National Party seems set to gain momentum within the Opposition caucus.

A large grouping of National MPs appears to support a moderate approach, rejecting the extremes of Muldoonist interventionism and the total "hands off" approach of doctrinaire free-marketeers.

Some caucus sources suggest that the majority of the 38 National MPs support the middle-of-the-road approach, though they may disagree among themselves on the degree to which the Government of the day should become involved in the economy.

It is considered vital for the party to find a clear policy path which is distinctly its own, and which distances itself sufficiently from the free-market approach of the Government.

The increasing opposition to the Government's economic policies seems to be encouraging more National caucus members into the middle ground.

Many of those who just after the snap election defeat and through the initial stages of the Government's term of office objected to an all-out condemnation of "Rogernomics" are understood to be having second thoughts.

Others in the National caucus believe that, if the party had attacked Rogernomics earlier, the Opposition would be in a better position now to take political advantage of the problems confronting the Government.

Although the party is beginning to recover ground in the opinion polls, some caucus members say National should already be 10 points ahead of the Government in the polls.

But they also acknowledge that the numbers on either extreme in the economic debate are small, with the vast majority of MPs somewhere near the middle.

Those promoting a middle-of-the-road approach have been careful not to alienate either side in the argument, leaving the way open for all sides to unite with them.

They are also reluctant to criticise colleagues who hold differing viewpoints.

Already two members of the centrist group have gone public with their views on where the party should head: the MP for Tauranga, Mr Winston Peters, and the MP for Fendalton, Mr Philip Burdon.

Mr Peters told his electorate organisation's annual meeting this week that the National Party could not afford to wait until the economic purists had had their day.

Although his speech lacked detail, it is understood that his ideas on various policies for the agricultural and manufacturing sectors will be spelled out later this year.

Mr Burdon has already made it clear, in a *New Zealand Herald* article published last week, that he sees a role for the Government in helping manufacturers.

He cited the experience of the Japanese in the help which the Ministry of International Trade and Industry has given manufacturers there to compete internationally.

"A crude commitment to market forces by itself is not enough," Mr Burdon said.

Neither MP believes there should be too much of a step backward towards Muldoonist interventionism, but equally they reject the idea of a totally "hands off" approach to government.

Their views appear to coincide with those held by the Deputy Leader of the Opposition, Mr Bolger.

As the effects of Rogernomics appear to become politically difficult to cope with, others in the caucus seem set to join them.

/9317
CSO: 4200/885

EDITORIAL ON SEOUL TIES IN POST-MARCOS CONTEXT

Auckland THE NEW ZEALAND HERALD in English 12 Mar 86 p 6

[Editorial: "Warily in South Korea"]

[Text]

New Zealanders and South Koreans fought shoulder to shoulder against communist aggression in the early 1950s, and they have held each other in high regard since. The visit of the South Korean Prime Minister is the latest of numerous gestures by both countries to keep that comradeship alive.

The world's two major power blocs stand face to face in South Korea. It is a strategically vulnerable country that needs friends today almost as badly as it needed them 36 years ago. Seoul lies within artillery range of North Korea, and communist bombers can reach it within two-and-a-half minutes. The panic in the capital last month when a defecting Chinese MiG-19, pursued by two North Korean fighters, flew over indicates the intensity of the strain under which the ordinary people must live.

President Chun's visit to Europe next month — the first ever made by a South Korean head of state — will be part of the Seoul Government's continuing effort to seek understanding of its peculiarly sensitive position. Mr Lho's visit to New Zealand is, no doubt, at least partly a quest for reassurance that under a Labour Government our commitment to the arrest of communist aggression is as firm as ever it has been.

Such reassurance would be especially welcome in the light of New Zealand's changing attitude not only to Anzus, but also to the recent governmental upheaval in the Philippines. Only three months ago the leading South Korean dissident and Opposition leader Kim Dae-jung — who has survived four murder attempts and a kidnapping by various military governments — said a peaceful transition to

democracy was more likely in Seoul than in Manila, if only the United States would stop supporting President Chun's regime.

But to try to change the political system in South Korea would be to run greater risks than the Filipinos ever ran, for extensive or prolonged inner turmoil would be an open invitation to the North to invade. Thus, anti-government demonstrations and pressure for political reforms are rigorously suppressed, which does nothing to enhance the reputation of the Chun Administration in the democratic West, and little for the reputation of Washington, which backs it.

A change to democracy in the Philippines, where government corruption was widespread and the economy in ruins, is one thing; a change to democracy in South Korea, where corruption is being stamped out and the economy relatively strong, is another. In planning the future course of its relationship with South Korea, New Zealand must continue to recognise those differences and avoid interfering.

/9317
CSO: 4200/885

SOCIALIST UNITY ORGAN VIEWS NATIONAL PARTY RESHUFFLE

Auckland NEW ZEALAND TRIBUNE in English 24 Feb 86 p 2

[Editorial: "National Reshuffles in the Wings"]

[Text]

WHY has Jim McLay reshuffled the National opposition? What are the pressures on him to do it?

In his selection of leading personnel it would seem that he has done no more than reflect the Labour Government's policies.

The 'more market' approach of the Labour Government has been hailed as a courageous experiment — as the opposite of National's traditional interventionist approach. It is seen as giving more freedom to the market forces which are supposed to bring great prosperity to the nation if left alone.

In fact Labour's policies are not some new idea dreamed up by the Government. The free market policies are another approach by monopoly in its drive for super-profits. They are a new form of the state's intervention in the economy on behalf of the monopolies — not the absence of intervention as we are led to believe.

Monopoly's monetarist policies are accompanied by a drive for privatisation of profitable state-owned industries, state assistance for ailing privately owned ones (e.g. NZ Steel — see page 9) and the contracting out of central and local government functions. They also bring with them the demand for labour market flexibility. This demand is accompanied by learned papers from academics, planning groups and business circles and weighty statements from the Government intended to 'soften up' the public.

Labour market flexibility is named as the missing piece in the 'free market' jigsaw at the moment: the magic ingredient which will make sense of the whole free market system and bring the promised prosperity to us all.

The Labour Government is moving cautiously in this direction as it must answer to the labour movement, which understands that it would leave them impoverished, unprotected and jobless.

National sees this issue as the card which, if played with enough 'softening up' of the public, will win them the next election.

Monopoly's needs are no longer met by the policies of the Muldoon period. However it is generally satisfied with Labour's free-market policies — particularly with the careful moves towards labour market flexibility which Labour has made with the publication of a green paper on industrial relations.

The labour movement must force Labour to retreat from the concept of labour market flexibility. When it succeeds the monopolies will have no difficulty in consolidating their ranks and going onto the attack with a revived ferocity.

There is only one force which can defeat monopoly's plans to pick up and throw away workers at will, to casualise them, impoverish them and take away all health and safety protections, minimum wage and conditions agreements and to lay them off when they are no longer needed: that is the labour movement — that great majority of the people who are in unions, the Labour Party and other progressive parties and organisations.

Submissions on the green paper must flood into the Government from work-places and the community to ensure that the changes made to industrial legislation are for the working class and not monopoly

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NEW ZEALAND

SUP GENERAL SECRETARY, OTHER CC CHANGES REPORTED

Auckland NEW ZEALAND TRIBUNE in English 24 Feb 86 p 2

[Text]

IN conformity with the decisions of the 7th National Conference of the SUPNZ, the Central Committee recently issued the following statement to *Tribune* on a change in the Party's leadership.

After 55 years of outstanding service to the New Zealand Communist movement, Comrade George Jackson is to retire from his position as General Secretary of the Socialist Unity Party, and has been elected National President of the Party.

Comrade Bill Andersen has been elected General Secretary, and will take over that post as from May 1.

Comrade Ken Douglas has been elected National Chairman of the Party and Comrade Ella Ayo elected as Vice-Chairperson.

These changes were made to meet the added requirements of the Party and its leadership in a period of increased monopoly pressure on the working people and the greater effort required in the struggle against the nuclear war danger and space weaponry in particular.

The Central Committee also consists of:

Marilyn Tucker — Assistant General Secretary
Richie Gillespie
Doug McCallum
Bernie O'Brien
Jack Marston
Frank McNulty
Jackson Smith
Bruce Skilton

Candidates members to the C.C. are:
Dave Arthur
Joe Tonner
Simon Wallace
Alan Ware

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NEW ZEALAND

PARTY BRANCHES URGED TO PARTICIPATE IN DEFENSE REVIEW

Auckland NEW ZEALAND TRIBUNE in English 24 Feb 86 p 6

[Article by Marilyn Tucker]

[Text]

THE Party's Central Committee has just concluded its first meeting for the year. It placed major importance on implementing the decisions taken at last year's National Conference.

Monopoly's attacks on workers are growing and it will continue to make a more determined drive to destroy the national awards system and establish 'labour market flexibility.'

Success in combating these assaults, the Committee emphasised, hinges on the organised strength of the labour movement and it expressed its determination that our Party will play a full and active role in the developing battles.

Involvement of branches in struggles around the needs of working people is of central importance in ensuring this and this has been well demonstrated by Auckland's City branch. In conjunction with *Tribune*, this branch sprang into action to protect the rights of tenants faced with homelessness as soon as it learnt of the tenants' plight. The whole incident is a clear case of monopoly's interests versus people's needs as the huge property developing company, Chase, bulldozed through the old inner city erecting its profit-making glass monstrosities.

Refreshed by the holiday break, a number of other branches have also launched straight into activity.

The new peace plan of the Soviet Union spurred a number of branches into action as they quickly grasped the tremendous prospects it offered for ridding the earth of nuclear weapons once and for all. Mt Albert branch, for instance, is circulating a letter on the significance of the proposals to local residents and Christchurch has taken the message direct to the Peace and People's Day at Hagley Park.

As reported in the last issue of *Tribune*, Dunedin is off to an excellent start with its fighting fund efforts and, with the new members it has recruited in the past few months, is fully confident of hitting its target, and even exceeding the amount it is aiming for. Wellington Region has already sent in $2,000.

Christchurch branch is also growing and has started work on at least two major fund-raising projects and has adopted a new plan for *Tribune* selling.

The Government's green paper on industrial relations and the workers' response to it was the subject of attention at a meeting of working class activists recently organised by the Auckland region. A similar meeting is being organised in Wellington.

An important feature of the 4th Labour Government is the openings it has offered for the extension of the democratic process. It is encouraging wide public participation in the Defence Review, and around the green paper and the Nuclear-Free Zone Disarmament and Arms Control Bill. Our Party strongly believes it is essential for working people to seize these opportunities and to organise input into the decision-making process on these key issues.

The Central Committee meeting stressed that the outcome of the changes which will come in the wake of the green paper will affect all workers and their families, if not immediately then later. Each Party member, therefore, has a responsibility to become familiar with this document and to take steps to organise discussion on jobs and in unions on what it means and how best to respond to it.

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NPA LAUDED AS 'ONLY SOLID U.S.-MARCOS OPPOSITION'

Quezon City ANG PAHAYAGANG MALAYA (Sunday Supplement) in English
9 Mar 86 p 13

[Commentary by Richie Benavides: "With Cory Installed as the New President, Is the War Over? The New People's Army: The Only Solid Opposition to US Control of the Philippines"]

[Text]

BEFORE the heady daze of Marcos' exit becomes well entrenched in everyone's mind, it is time to douse cold water on this snap happiness. Not because there is nothing to rejoice about. With Marcos out, there is a far bigger enemy, which not very many people will agree on.

For the military, there has to be the communist insurgents, or else their humongous military budget will be slashed to smithereens. These NPAs have been the scapegoats since Marcos rose into prominence. This communist war has been grossly overrated, and understandably so. But when mayhem was ruling the tense-filled days of Metro Manila, the armed city partisans were nowhere in sight. There were no large encounters in the countryside. The NPAs were strangely out of sight.

LEFTIST DIVISIONS

THE new propaganda machine has come up with many leftist divisions, portents of a neo-divide-and-rule regime. There is now a legal left, composed of BAYAN, FLAG, KMU, ACT, ACTO, and the LFS. Then there is the "illegitimate" left, which is the NDF-CPP-NPA. And the silent left – those who were left out by the Reds, the political opposition, and those who are nowhere near nappy at the almost crazy twist of events.

As long as one is not gladdened by the good tidings that Marcos is gone, it can happen that he may be lumped into any of the above categories. But it will be a while before Cory Aquino makes PDAs or repressive laws to crack down on these "subversives."

The leftist, underground National Democratic Front has issued a statement that was strongly anti-bourgeois and anti-American to congratulate the new president. She answered them back by freeing political detainees and calling for a ceasefire. Are the Marcos laws still in force including the PDAs which trumped up charges on dissenters?

While the boycotters waged their puny battle during the past elections, the NPAs went on ahead with their "education" campaigns, strengthening their mass bases, being with their masses. They lay low, in the sense that they did not engage in frontal confrontation with the 'revel' forces, those soldiers who hid behind the skirts of what is now known as people power.

Some NPAs are thinking of joining the "free" world, going home, giving up the fight for true national liberation. Not a few are mulling over re-enrolling in schools.

With Cory Aquino finally installed as president, is the war over? Can the NPAs now really go home?

ONLY SOLID OPPOSITION

IT IS time that we put the NPAs in their proper place. They were the only solid US-Marcos opposition, rallying the countryside against the abuses of the regime, receiving the bullets thrown in by the 'revel' forces led by Ramos and Ponce Enrile. The Cagayan Valley, the Ponce Enrile bailiwick, was witness to the most important NPA strides and most brutal military retaliations.

Barrios had to be evacuated, strafings from the air hit even children, and if only to deny the rebels a home, Region II's forests and mountainsides were pillaged, shorn off their covers, logged down by logging companies with Ponce Enrile as major owner, shareholder, or director.

Are these military abuses now to be forgotten? Can one correct military maneuver erase the blood debts against the people? It appears now that the NPAs were fighting correctly. They were against the US-Marcos dictatorship. They were getting themselves killed when everyone else chose to stay indoors, cowering cowardly in fear of the iron hand.

And today, they are forgotten. They who lit brushfires in the countryside when this nation was plunged into darkness, are on their way to obliteration, specially now that the new propaganda has named them enemies of the nation.

In Marcos days, they were heroes in the masses' eyes, because they meted their own brand of justice. And they went to war in the name of the oppressed barrio folk. Their small arms, inferior to the brand-new Marcos machines, were no match, but they had their cheering squads, their people power, which were often decimated with them.

Rebel bands, brigands, and the spit-it-out "communist" label were pinned on them in intricately planned and executed psy-war operations. So many thousands died, innocent civilians caught in the crossfire. And all is forgotten?

US-SPONSORED PICNIC

IF this revolution that toppled Marcos seemed like a picnic, it was, because the US wanted it to be a happy event. Many observers had seen what it meant to be anti-Marcos, and there was none of the insurgency much flaunted by the military. There were only hordes of people eager to see a new fresh face, who would not be given equal media time.

And the US read this to be the time for Marcos to really go. If he did not, the mystical sway of the real rebels might just take advantage of the situation. Not even the military knows up until now, how big really is this NPA force they are up against.

Each field commander gives untrue figures on the strength of the rebels because he gets less "logistic" support if he says there's no big NPA activity. Mock battles have to be staged from time to time, just so there would be reports to be sent to home office.

Will Ramos and Ponce Enrile deny now that those "surrenderees" of erstwhile days were all vaudeville actors?

The NPA gained strength in the most repressive years of martial law, a scenario which Ponce Enrile was stage director, and manager. Executive producer, was of course, Marcos, and Fabian Ver was production-in-charge.

All of the great firefights, the overrated numbers, the sham encounters were merely to attract US worry and consternation. When the NPAs got more than enough publicity, the US began to re-think its policies towards Marcos, who had reneged against his vow to keep his nation clean of communists.

It reached a shameful point when NPAs were calling press conferences in Davao's cafes, and held liberated zones right beside the city's market. Finally, the Americans caught on and realized that all their aid and hardware were going into pockets, not against the insurgent war.

POTSHOT REBELLIONS

IN 1983, at the height of the Samar uprisings, AFP personnel was donating their arms to the NPAs so they would have an excuse to stay in camp and not fight. And this was the area of Jose Rono, the hotshot minister, next to the First Lady's bailiwick.

There were potshot rebellions all around, but there was no unified national NPA strength. They were obviously romanticized, specially by the disgruntled youth, who could never find enough outlets for their protests.

Today, after the revelry of the revel troops, the NPAs' strength will have to be bloated in all the press releases. Or else the US will not deem it proper to grant huge aid and military assistance.

But what the revel, victorious forces fail to understand is that they are up against an ideologically prepared force, who have identified the United States and its local errand boys as the real enemies of the people. If Marcos showed his clout then, and his unfailing allegiance to his American masters, it will only be too easy for those who have a deeper understanding of politics – those guerillas in the hills, surprisingly – to swing their masses against a US-Cory Aquino dictatorship.

The first few days currently indicate an almost total pro-American cabinet. And please remember that the "defection" happened a few hours after Habib secretly planed out of Philippine territory.

Is the US running Philippine affairs? Until the NPAs cease operations, it would be safe to assume so.

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PHILIPPINES

LEFTIST OFFICER ON RAMOS, 'PEOPLE POWER', U.S. RELATIONS

Quezon City WE FORUM in English 11-17 Mar 86 p 14

[Article by Romy Marinas: "Meet the Original Rebel Soldier"]

[Text]

Capt. Danilo Vizmanos (ret.) was a sailor whose fall from Marcos' grace began in 1971 when he dropped a bombshell of a thesis at the National Defense College of the Philippines (NDCP) titled "The Emergence of China as a World Power and Its Impact on Philippine Security and National Interests." He further infuriated the Philippine military top brass by recommending the abrogation of three defense treaties between the Philippines and the United States, namely: the military assistance pact, the mutual defense pact, and the military bases agreement.

The captain, a graduate of Class 1950 of the US Merchant Marine Academy at Kings Point (a stone's throw away from the alleged Marcos estate, Lindenmere, on Long Island, New York), was unceremoniously declared, though unofficially, persona non grata by the Philippine military establishment.

Capt. Vizmanos' most recent public appearance with his former comrades-in-arms was during the four "people-powered" days of February. He, however, remained on the other side, the civilian side, of the fence where he has watched the country for the last 13 years. He officially retired as Philippine Navy captain in March 1973.

The captain's more serious brushes with the Marcos government included also a two-year, three-month (May 1974-August 1976) imprisonment, the martial law regime calling him a risk to national security.

Vizmanos prefers to call the Enrile-Ramos "rebellion" as "a mutiny that was overwhelmed by people's uprising," saying that a revolution, as some quarters call the February incident, cannot be achieved within four days. Furthermore, he said that real revolutions should produce revolutionaries who would undertake major changes in thinking, attitude, behavior, values, and political belief.

"A revolution takes more than just a change in seating arrangements," he told WE Forum, further noting that the "rebellion" achieved only political, not social, change.

Vizmanos, whose controversial thesis has been sequestered by authorities although a copy, according to newsman Feliciano Magno, found its way to Moscow, knew Gen. Fidel Ramos well. He and the general were classmates at the University of the Philippines in 1962 when both of them were enrolled in a master's course in business administration. Their teacher, incidentally, was Cesar Virata.

Ramos, however, did not finish the course because he was called to Fort Magsaysay in Laur, Nueva Ecija for Special Forces training. He was still then a captain.

The general who was graduated in the same year (US Military Academy at West Point) as Vizmanos confided to the captain in 1962 that he was "floating," then president Diosdado Macapagal confining him to miscellaneous and special groups and assignments.

"As a soldier," Vizmanos said, "Gen. Ramos was very competent and approachable."

"He was a soldier and an officer of high integrity," Vizmanos said, adding that

while that may be desirable, the general would have to have more than that in dealing with the US government and military. Ninety per cent of the armed forces arsenal come from the United States, according to him.

The captain would rather not comment on Defense Minister Juan Ponce Enrile, except that the minister was "nice" to him after his release, even "sory" for what happened to him. He never took Enrile's offer to help him.

Vizmanos is a man far ahead of his time. He is the original rebel soldier and military-political thinker. In 1961, he predicted that Fidel Castro will not be overthrown by Batista loyalists and US mercenary forces. In 1969, he said that the US will lose Vietnam. To date, nobody has given him credit for helping pave the way toward the opening up of the bamboo curtain dividing the Philippines and the People's Republic of China. He, however, remembers the grilling he got from seven generals and then congressman-turned-Marcos loyalist Leonardo Perez who were aghast at his NDCP thesis. Moderator at that forum was Antonio Zumel, the alleged chairman of the National Democratic Front (NDF).

Little did Vizmanos know that he would again be in the company of fellow officers, albeit physically and politically distant. At the Villamor air base, he saw Commodore Liberato Lazo of the Navy holding his ground against the "reformists." Lazo was a contemporary of his at the Naval Officers School in Cavite and, according to Vizmanos, was a Ver loyalist. At the Crame-Aguinaldo area, the captain came no nearer tan bunker's lengths away from his former classmate.

"There were several factors that contributed to the downfall of Marcos," Vizmanos said, "but 'people power' was the decisive one."

"Without it, the 'rebels' would have been crushed," he said.

"People power, as it turned out, did not enter the calculations of Marcos or the rebels."

Vizmanos is not comfortable with the "New Armed Forces of the Philippines," likening it to a detergent having more suds and whiteners.

"The term," he said, "is a psychological and tactical move on the part of the 'rebels' in order to make a sharp distinction between the corrupt and discredited AFP of old. They should have though of something more original."

Vizmanos, who was AFP inspector general at the time of the Tet offensive in Vietnam and who took part in the China campaign, thinks that "at least, Gen. Ramos has announced his determination to push through with much-needed reforms which were never realized during the term of Marcos."

That note of optimism the captain also throws on the direction of President Corazon Aquino, although he speaks of acid tests for the new government.

"Mrs. Aquino is several poles apart from Marcos. He is nowhere near her moral stature, one that a commander-in-chief should possess in the first place."

He said that the release of political prisoners is already a big thing and so is the retirement of overstaying generals which augurs well for promotion of junior officers based on merit and not on patronage. He also thinks that the "Ilocanization" of the armed forces would be lessened if not totally eliminated.

Vizmanos believes that President Aquino's acid tests have yet to come, saying that the United States will remain her foremost adversary when the time has come to discuss interests closest to the heart of the White House and the Pentagon. He cited US investments, the military bases, and the major economic issues where the IMF and the World Bank play a more than disinterested role.

At the moment, however, the captain suggests that the new government address itself to genuine nationalization of basic industries, land reform, redress and indemnification of human rights victims of the Marcos dictatorship (for this, Vizmanos proposes the creation of a special body although the justice ministry will do for the time being), and to the ceasefire between the New People's Army (NPA) and the government. In all these, Vizmanos said that only "people power" which catapulted Mrs. Aquino to the presidency will be her only weapon when the time has come for her to uphold the interests of the Filipino people against second-generation "rebels," "loyalists," and, well, US global and strategic interests this side of the Pacific and Indian oceans.

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PHILIPPINES

BAYAN OFFICIAL ON 'VIGILANT, PRINCIPLED SUPPORT' FOR AQUINO

Quezon City WE FORUM in English 11-17 Mar 86 p 15

[Article by Nora Gamolo: "A New Role for Bayan"]

[Text]

The general atmosphere that prevails today is cooperation, if not uncritical reconciliation. And so it goes that there is an organized and deliberate move on the part of various actors in the snap poll battleground to "kiss and make up" as it were, to bring the country back to "a state of normalcy."

Even the militant alliance Bagong Alyansang Makabayan, whose popularity has been nearly shattered by the boycott position it officially adopted, is making a re-assessment and re-identification of its role in the mass movement. The crucial question: Will Bayan be relevant still after the "snap" rebellion of the generals and the recognition of Cory Aquino as Philippine president and commander-in-chief of the Armed Forces of the Philippines?

Loretta Ann Rosales, chairman of the Bayan People's Struggle and People's Welfare Commission, contends that "Bayan will only lose its relevance as a mass-oriented organization if the basic aspirations of nationalism and democracy have already been realized." But at this point in time, such an alteration of the Philippine social structure is not at hand, and so Bayan needs to carry on the Opposition's work to present a constructive criticism of whatever program and policy that may be carried out by the electoral opposition, according to Ms. Rosales. Quite a spunky statement, considering that when Bayan decided to boycott the snap Feb. 7 poll over vehement objections of some of its stalwarts, the remaining militants half-jokingly and perhaps half-dejectedly, kidded each other that if the scenario which it saw as basis for its boycott call would not materialize, Bayan would "self-destruct."

This time, though, Bayan is declaring a policy of "vigilant and principled support" to the administration of President Corazon C. Aquino, as adopted in its emergency meeting on March 6-7 at the Asian Institute of Tourism. In a resolution read by Sen. Lorenzo Tanada, Bayan chairman, before the 113-member National Executive Council, Bayan said it will participate in all of Mrs. Aquino's programs, especially those geared towards dismantling the "structures of the US-Marcos dictatorship."

Bayan reeled from a "concerted move" of certain quarters to isolate the left-leaning organization. However, it is now contending that this is not the time to lick painful wounds but to be active in the new administration's call for recovery and democratization. Ms. Rosales expands Bayan's role by saying that along these lines, "Bayan would address itself to reconciliation with justice, i.e. indemnification of victims of human rights violations and trial with due process for errant military men. Bayan would continue to support the social sectors with legitimate grievances such as peasants clamoring for genuine agrarian reform, workers militating for just pay and trade union rights and other sectoral demands."

At the same time, too, Ms. Rosales observes that "There is continuing thrust for the democratization of the government structure. The Filipino people have ousted Mr. Marcos, and his wife, Gen. Ver and some cronies, but we still see the

need to democratize government institutions. For instance, in the educational system, teachers and students should be consulted. Ministries should be democratized. Workers should always be consulted by the Labor Ministry. In the field of the military sector, reforms should be undertaken, among them, demilitarization of the countryside."

To emphasize her point on greater government-citizen cooperation, Ms. Rosales says that Bayan would even be amenable to sit in any consultative committee that may be set up byt the Cory Aquino government and its functionaries with regard to certain questions.

How does Bayan regard the new administration, the Cory Cabinet, as they say? Bayan, says Ms. Rosales has not yet made a formal evaluation of the Cabinet's composition. However, Bayan seems to share the fears of Atty. Luis Mauricio, chairman of the Civil Liberties Union of the Philippines, who replied when asked this question that the President's men "would pass the American test anytime."

"Within the Cory camp, there are sincere elements who want to bring about democracy, but there is a visible presence of pro-US elements. Of course, there is no denying that the military structure remains intact, with the exception of Gen. Ver and his son. But the real test would be the implementation of their programs. Bayan hopes to influence them on questions like agrarian reform, and other nationalist issues. Bayan looks forward to sharing in the new government's struggle to emancipate the Philippines from foreign domination," says Ms. Rosales who suffered from unfounded charges of being a "hard-liner."

However, Ms. Rosales addes that "Bayan reserves its right to maintain its independence in carrying issues of the people, particularly with regard to national sovereignty and other basic questions the way it sees fit for the occasion."

Bayan, at present, claims a conservative estimte of at least 1.5 million members from all sectors of Philippine society and from all points of the archipelago. Its biggest member-organization, the Katipunan ng mga Magsasaka sa Pilipinas (KMP) headed by Jaime Tadeo has around 800,000 members. In the labor front, its representative organization is the Kilusang Mayo Uno, which claimes 500,000 membership. All Bayan organizations have proven to be militant, more properly, defiant of the organized Marcos machinery in the past. They were among the organizers of rallies, demonstrations and people's strikes, supposedly the highest form of militant struggles in the Legal Left's vocabulary.

Such a tradition is not easy to forget. When this writer interviewed Ms. Rosales in the Bayan national office, the Bayan-Bicol chapter had just phoned in, saying that it would organize Sakbayan (People's Motorcade), Lakbayan (People's March) and people's forum on March 3-4 to press the national government to hold a local elections by May, as is stipulated by the 1973 Constitution as amended in 1984.

Cory Aquino has earlier announced that the local elections in May may haved to be postponed to enable the country to recover some semblance of normalcy before the elections are held. On the other hand, the Bayan-Bicol members that the local elections in May would enable them to replace their "unwanted local leaders" at the earliest possible time and hasten normalcy.

Ms. Rosales, a former teacher, also discounts reports that Bayan is calling for a moratorium for all militant forms of airing grievances. "We can never do such a thing. The rights to speech, assembly, and redress of grievances are basic human rights and even under a new popular government, these should be respected."

Sen. Tanada puts it more succintly: "If the rights of the common man will be endangered by measures adopted by the new government, then we will stand up in defense of the rights of the common man."

Bayan answers its own questions on its self-relevance and argues that it still has a role to play in the post-election scenario. "Bayan has to continue with its political education and organizing mission. The people's experience in resolving the Enrile-Ramos defection is a positive one. It is this same active people's power, as opposed to people power as mere civilian buffer zone, that should be cultivated and relied on to bring just, democratic and a free society," according to Ms. Rosales.

She adds, with a light-hearted tone, "This time, we are more optimistic."

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PHILIPPINES

SISON ON ENRILE, RAMOS; LEVERAGE OF LEFT IN GOVERNMENT

Quezon City WE FORUM in English 18-24 Mar 86 pp 10, 12

['Excerpts' from Asian Institute of Management Forum: "A Dialogue With the Left" held 13 Mar 86 in Makati]

[Text]

Jose Ma. Sison finally admitted that he was the founding chairman of the re-established Communist Party of the Philippines in a jovial mood upon release after more than nine years in detention. Except for a brief spell when his wife Julie joined him after suffering a miscarriage, he was in solitary confinement all throughout his stay in prison.

Military men, academicians and political observers believe that Jose Ma. Sison is an important personage, not only in terms of his actual involvement in the insurgency now on-going, but more so because of the innovative ideas he has contributed to the concept of guerilla warfare and revolution even though he reportedly never wielded a gun.

That he is an index to the dominant thought pattern in the revolutionary movement is not fail-safe, though. In the last Feb. 7 snap election, he called for a minimum boycott position, but was not heeded by the illegal revolutionary movement and a sizable number of organizations considered as part of the Legal Left. The effects are disastrous, particularly when Mrs. Aquino was catapulted to the presidency after the snap revolt of Defense Minister Juan Ponce Enrile and Gen. Fidel Ramos. Nonetheless, although Jose Ma. Sison says that he has already lost all positions in the CPP, he still wields considerable "moral influence."

The following are excerpts from the no-holds-barred forum "A Dialogue with the Left" held at the Asian Institute of Management in the "hills of Makati" last Mar. 13.

Analysis of the current situation: There is a process of democratization going on. We have a new government that is liberal-democratic in tendency. Democratic rights are available, but stabilizing the situation to make these rights permanent would indulge a great deal more. The structures of the fascist (Marcos) dictatorship are not completely dismantled.

The entire nation is faced with the problem of US imperialism and feudalism. The new government itself is faced with the forces of the fascist dictatorship that might still return to power. Within the new government, there still is tension between the civilian and military sectors. But so far, the military forces are obedient to civilian authority, including Mrs. Aquino as commander-in-chief of the Armed Forces of the Philippines.

In the civilian sector of the government, there are several parties vying for the various ministries – there is some tension even among those parties which supported Mrs. Aquino.

Outside the ruling system, there is the revolutionary movement which would want the vestiges of the fascist dictatorship be totally eradicated. And even if these vestiges of fascist dictatorship are eliminated, the revolutionary movement is concerned with completing the struggle against US imperialism and feudalism. It is not true that the Aquino government, in coming to power, has solved the problems of this country. There still the danger that the fascist dictatorship might re-emerge in the form of a Bongbong Marcos-Dan ding Cojuangco comeback.

Within the Aquino comeback, there are elements that refuse to be re-oriented, who might be ambitious and take advantage of the situation. There are those who say that the situation today is similar to Thailand in 1973. If the civilian government cannot solve the problems, it is possible for a Bonaparte to rise in power. But I suppose there would be relative stability for some time, at least, until the end of this year. The democratization that is going on and the amount of stability gained can be the basis of going further with democratization and stability. At the moment, I do not see any force that can tangle with the other forces that want the Cory Aquino government to be on top of the sitation. The Marcos forces have just been removed from power and they still stink. The United States seems to be willing for the Aquino government to assume a democratic posture. The United States seems to have realized that a strongman government does not suit the Philippines as of the moment.

The Church is there to block any anti-democratic force from the side of Marcos and the military sector.

The cause-oriented organizations are always ready to be the hard core of people's power and oppose any anti-democratic action of any force.

Even the revolutionary forces under the leadership of the CPP would like the democratic tendency of the Aquino government to develop further. The democratic space that has been won can be used by the legal forces with a nationalist-democratic orientation. The formal democratic rights available can be used to push forward the demands for complete independence of the Philippines and land reform.

Tasks for the national democrats and the people: The work of putting out a new Constitution is at hand. We must have a hand in the making of this Constitution. A Bill of Rights must be put out that does not contain any provision that negates all other provisions. In the Marcos Constitution, there is lip service to the rights that appear in a liberal-democratic or even socialist Constitution. There is a provision, for instance, that the Chief Executive can order the arrest and seizure of properties without any judicial process. There is Amendment No. 6. There are so many provisions that have to be erased immediately. I would wish that in the statement of national sovereignty and territorial integrity, there should be right away a statement that all kinds of foreign military bases should not be allowed in the country.

The political system of this country should be opened up. I propose a multi-party parliamentary system. For a fall-back position, we can have a presidential system, but it must still be multi-party. As many as five major political parties must be allowed to have inspectors.

Analysis of the Left's boycott position: I wrote an article pointing out that a minimum boycott is tenable and a maximum boycott is untenable. As far as the illegal revolutionary organizations are concerned, a boycott position is correspondent to the revolutionary principles and the inherently rigged character of the snap election, but there has to be flexibility correspondent to the fact that all opposition parties and the electorate was for participation in support of the (then) opposition. Flexibility of that type of boycott would mean allowing the opposition to get as many votes as they could even from NPA-controlled areas, and no confiscation of election paraphernalia as in previous election.

Another meeting ground, the most important I think, is the opposition to and exposure of electoral fraud and terrorism that was likely to be committed by Mr. Marcos.

I made the advice that if the minimum boycotters and critical participationists were found in the same alliances, they do not have to divide the alliance and expel each other. There were those who made the jumpshot to maximum boycott prematurely and I thought they could reduce their stand to minimum boycott. There were middle class organizations which were more adoptive of critical participation. I think no side can monopolize credit or blame for what would transpire later on. If developments stopped at the snap election at any point short of the EDSA happening, Marcos would still be around, but the minimum boycott can claim that people's militant struggle accomplished everything. The cheating and the Cory Aquino victory have to be proven first in the snap election. There is a combination of events like the snap election and the Enrile-Ramos revolt, responses complimentary to these two developments. One without the other would mean that I would still be at Fort Bonifacio.

Leverage of the Left in the new government: The Left has plenty of leverage in the new government. One of the biggest reasons why the US asked Marcos to step down was the fear that the revolutionary government would take all initiative until total victory of the national democratic revolution would be achieved. That statement implies how much strength the Left has gained at least since 1968.

I am confident that the forces of the Left have enough leverage to gain a major position in the flow of legal political life in the country. I am certain that the legal national democratic forces can naturally assume a major position in the political life of this country.

I am confident that if Bayan chooses to be a major political party, or if a new party called the National Democratic Party should arise, it can be one of the major parties in this country. All the

overnment has to do is to make the rule that five major parties are entitled to inspectors and I am sure that the NDP will be one of these.

It is reasonable to expect that the legal forces of the national democratic movement will form a political party and take part in the (local) elections or in the drafting of a new Constitution.

Possibility of a ceasefire between the AFP and the NPA: First, I would like to point out certain conditions before there can be a ceasefire. There must be changes in the actual situation. Conditions for national reconciliation must be improved. Maybe these would entail unilateral actions of goodwill by the government. The improvement of the situation must precede dialogue. When dialogues occur, both sides will be making demands on each other.

A ceasefire is a reasonable demand, unlike the surrender of arms. A ceasefire is usually arrived at between two forces on the ground of seeking to achieve common goals, to face up to a common enemy. It will take a long time to specify what could be those things (necessary) to improve the conditions before the dialogue. I would not be in a position to guess the demands (which would be) made by the revolutionaries.

I think there are people who would even say that Mrs. Aquino first should have control over the Armed Forces of the Philippines, (otherwise) the NPA will not easily agree to a ceasefire. In a certain sense, the NPA is even supporting Mrs. Aquino. It is a lever for Mrs. Aquino to assert her control of the AFP. If there is no armed forces other than the AFP as controlled by persons other than Mrs. Aquino, then a Napoleon Bonaparte can arise from the AFP (and) it can be quite difficult for Mrs. Aquino to get some kind of help from the political landscape.

How Enrile and Ramos fare: You might say that pro-US elements are now occupying certain positions, but if we employ people's power, the government might agree to make countervailing appointments. The Ministry of National Defense can be reoriented and reorganized in due time but it might be too premature to ask Min. Enrile and Gen. Ramos to get out of the MND and the AFP. It is still fresh in the minds of the people that they are really heroes in so far as they took away the armed support of the Marcos regime and caused its toppling. Without this military revolt, the victory of the people would not have come so early. Without people's power, Enrile and Ramos would have been wiped out, especially in the first 24 hours of the 3-day happening at EDSA. But the people's uprising was more important and decisive than the Enrile-Ramos revolt.

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PHILIPPINES

FLAG OFFICERS ASSOCIATION MEETS, LOYALISTS HAVE NO REGRETS

Manila BUSINESS DAY in English 20 Mar 86 p 5

[Article by Gerry N. Zarogoza]

[Text]

While the leaders of the civilian-backed military revolt have been lavished with praises for their "heroic deeds," the vanquished have yet to come to terms with the fate that befell them.

Eight generals who happened to be on the "losing side" of the contending forces during the four-day revolution now explain that either they had acted like professional soldiers should or they were too far from the heat of the revolt to have affected the outcome of events.

The generals — some of whom have been retired, others relieved of their commands and without new assignments and still others under house arrest — unburdened themselves early last week at a special meeting called by some officers and members of the Association of General and Flag Officers (AGFO), which counts more than 300 retired and active AFP officers among its members.

Among some 25 members who attended were former Armed Forces chiefs of staff, retired Generals Romeo Espino, Pelagio Cruz and Alfredo Santos. AGFP president, retired Gen. Mariano Ordoñez, was also present in the gathering that was presided over by Cruz. Chief of staff Gen. Fidel V. Ramos sent his representative, Brig. Gen. Antonio Lukban.

The other generals who took part were Brig. Generals Jose Maria Zumel, Artemio Tadiar, Roland Patuggalan, Antonio Palafox, Madriño Muñoz, Mariano Miranda, Alexander Felix and Rear Admiral Brillante Ochoco.

RECONCILIATION. Although the gathering was meant to be a "reconciliation meeting," the "defeated" generals apparently had something else in their minds.

Zumel, who had been replaced as superintendent of the Philippine Military Academy after the revolution, having been identified as a Marcos loyalist, said he had not done anything unlawful. Being a professional soldier, he said, it was his sworn duty to follow orders from the duly constituted authority, apparently referring to President Marcos, who was proclaimed by the Batasang Pambansa as the winner in the Feb. 7 presidential elections.

"I have no regrets. I'm not ashamed of anything that I have done," Zumel said, adding that the same loyalty given by a professional soldier can now be expected of him by the new government of President Corazon Aquino.

Zumel is now detailed at the office of the AFP vice chief of staff, without a new assignment.

Tadiar, who has been relieved of his command of the Philippine Marines and is now under house arrest, said he was surprised that the AGFO meeting was called to "welcome us back."

"I feel insulted. I have never left AGFO," he said. "I would like to

think we are professional soldiers and we are duty bound to obey," said Tadiar, who during the revolution had commanded the loyalist Marine forces sent to go after the rebel forces holed up at Camp Crame.

LIKE LEPERS. On the suggestion that the AGFO meeting was called for reconciliation, Tadiar said there was nothing to reconcile, saying that he would have taken orders from whoever was at the helm of government. Tadiar now complains that those who took orders from Marcos during the revolution are now being painted in "political color" and treated like lepers.

Patuggalan, commander of the Army's Tanay-based 2nd Infantry Division whose tanks and troops were sent to assault Camp Crame, simply explained his role during the revolution: "I am a professional soldier and I acted as a professional soldier to the best of my ability and the best way I could."

Now Patuggalan, said to be a cousin of President Marcos, has been relieved of his command and is now a "floating" general reporting to the office of the AFP vice chief of staff without any new assignment. "Though I'm retiring in 1988, I feel I am unwanted in the AFP," said Patuggalan, who had been rumored late last year as a likely successor of then AFP chief of staff Gen. Fabian Ver.

Ochoco, who served as flag officer in command of the Philippine Navy for only two and a half months until the new government retired him along with 22 other extendee generals, told those who attended the AGFO meeting to look back to the time when they, as officers of the AFP, took their oaths of office to uphold the flag and the Constitution. "If you look back to the oath of office, you'll know why we acted as we did," he said.

He is concerned, however, that although he has been retired from service, his name was included in the hold-departure list despite the absence of charges against him and the other generals in the list.

He dismisses this as "normal procedure" following a crisis, especially when those in the list are closely indentified with the Marcos regime.

'ARROGANT'. The meeting was called to "mend or repair the crack in the organization caused by the snap revolution and solidify it again for the service of the country and the people," as Cruz explained at the start of the meeting. But Ochoco felt that the people who won the revolution are "becoming a little arrogant." He said AGFO should look into it.

Palafox, another Marcos loyalist who commanded the Army's 5th Infantry Division based in Tarlac, said he had submitted to the new AFP leadership his explanation of his role during the revolution. Palafox reportedly sent tanks and armored personnel carrier from Tarlac to Camp Crame. Somewhere in Bulacan, the convoy was attacked and stopped by rebel helicopter gunships of defectors from the Air Force.

Like the rest of the loyalists, Palafox explained his action as merely that of a professional soldier.

Felix, who headed the Regional Unified Command 2 until his name was included in the list of extendee generals retired, is taking things in stride. "After 36 years of service, I'm happy about it," he said. He said that his family would support Defense Minister Juan Ponce Enrile and Ramos.

But he is more concerned about the campaign against insurgency, he said.

Two other extendee generals who were retired, Muñoz and Miranda, said that they were too far from the scenes of the revolution to have played any major role in it.

Muñoz, who headed the Regional Unified Command 10 based in Cagayan de Oro, said, however, that in those trying days he had acted as a professional soldier and as a commander. He said that on Feb. 25, the fourth day of the revolution when Marcos was reported to have fled the country, Ramos radioed an order for him to protect lives and properties. He said he did not have second thoughts; he immediately relayed the order down the line.

Miranda, who headed the 1st Infantry (Tabak) Division based in Jolo, narrated that during the revolt, he had difficulties getting in touch with Manila. So he and his men merely monitored the events via radio. "Our appreciation of the events were different," he said. During the first three days of the revolt,

he said, he and his officers agreed that they would just abide by the Constitution they were sworn to uphold. But on the Feb. 28, he said, they agreed to shift their loyalty to the Aquino government.

DILEMMA. Retired Gen. Felizardo Tanabe, former Postmaster General, said that generals were in a dilemma because they did not know at which point orders from the winning rebel leaders became legitimate. "The question is difficult to answer because it is the first time this happened in our country," he said.

Tanabe said that as far as many generals were concerned, when the revolt was just starting the legal orders were coming from Ver, and had the military revolt failed, the generals would not have encountered the confusion they are facing now. Tanabe felt that the loyalist generals now should not be faulted for what they had done.

Expressing his own personal observation, Lukban, Ramos's representative in the meeting, said he agreed with the observation that the generals should not be blamed for using their judgment. "We were divided in the past on a situation that called for us to take sides," he said.

In a conciliatory tone, Ordoñez said that the situation will normalize.

Ochoco was for calling the meeting a move towards "reunification," not "reconciliation."

UNFRIENDLY RELATIONS. The presiding officer, retired Gen. Cruz, rejected the idea that there was no need to reconcile. "We were not entirely friends during the four days. There was animosity," he said. "When there are tanks, mortars and artillery pointed at Crame, do you consider that friendly relations between parties?" he said.

There were vital differences of opinion, he said, which could have led to massacre and carnage. One side was loyal to an authority and the other side to another camp, and the presence of tanks and cannons could only be interpreted as an act of hostility, he said.

Since the meeting could not come to an agreement, Ordoñez decided to throw the issue to AGFO's board in a meeting called for Friday. "If we agree on something, we will prepare a resolution," he said.

But before the generals parted ways, Gen. Cruz said that if only for defying orders to bombard Camp Crame, where tens of thousands of unarmed citizens were gathered, even those officers and men who remained loyal to Marcos should be considered "modern heroes of the Armed Forces of the Philippines."

"They are as heroic as those who stood at Camp Crame," he said, "because had they fired their artillery, Crame would have been razed."

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PHILIPPINES

SHIPPING FIRMS DEAL ILLUSTRATES MARCOS-ERA ANOMALIES

Manila BUSINESS DAY in English 20 Mar 86 p 7

[Article by Geselle J. Militante: "More Anomalies in Pantranco Deal"]

[Text]

Last October, Northern Express Transport, Inc. (NETI) acquired some of the assets of Pantranco North Express, Inc. The deal was severely criticized by opponents of the Marcos regime as a rip-off. They alleged NETI is owned by a Marcos son-in-law and that it took over the money-making assets from Philippine National Bank and National Investment and Development Corp without paying a centavo.

The deal may be a double anomaly.

Documents furnished *Business Day* indicate that Pantranco North was never actually sold to NETI, although the latter was given almost complete control of the bus firm's operations and finances from Oct. 1, 1985.

The deal entered into by PNB and NIDC with NETI on the sale of Pantranco North for P775 million last October, is not evidenced by any conditional deed of sale, sources said.

They said a memorandum of agreement was signed between the parties. No copy of the memorandum is available. Dolly Potenciano, head of NETI and who also owns Batangas Laguna Tayabas Bus Co., could not be contacted for comment despite three attempts by *Business Day*.

PROBE. PNB and NIDC, are now the subject of increasing pressure, accused of having jeopardized multimillion-peso government interests by virtually handing in Pantranco North over to NETI.

Pending a thorough investigation, Raul Daza, member of the Presidential Commission on Good Government, has prohibited NETI from entering into any transaction involving Pantranco North, to prevent "dissipation of the bus firm's assets."

Transport sources said that theoretically there is legal ground for PNB and NIDC to cancel the supposed sale of Pantranco North and forfeit in its favor all payments made to it by NETI if NETI defaults on its obligations.

Under the buy-out arrangement between the two parties, non-remittance of NETI's down-payment of P55 million to PNB and NIDC constitutes an event of default, sources said.

All this, however, is theoretical, the sources said. "PNB, NIDC and Pantranco North cannot cancel the sale, there being no actual deed of sale signed and executed to speak of," a source said.

TERMS. The total purchase price of Pantranco North was to be payable in 12 years with a P55-million down-payment. Instalments were to be accelerated every year.

Documents show that the buyers deposited the P55 million in escrow with Security Bank and Trust Co., which is linked to a Marcos crony. Also, effective Oct. 1, 1985, revenues from Pantranco

North's operations, including earnings from 60 buses not in the alleged sale, were deposited to accounts of the buyer.

The takeover should have led to termination of the alleged escrow, and the deposit of the proceeds of NETI's deposit should have been remitted to PNB, sources said.

Sources said the buyer took "the moneybag" from bus operations even before making a down-payment.

Eduardo G. Fajardo, senior vice-president of PNB, had told J. Lorenzo Vergara, executive vice-president, that even NETI's representatives agreed that under the sales terms, Pantranco North "is paying for itself."

REVENUES. Sources said revenues from Pantranco North operations from Oct. 1 to Oct. 10 last year totaled P10 million. At a rate of P1 million daily in revenue potential, NETI could easily have collected much more than the P55-million down-payment, they said.

In a memorandum to Vergara, dated Aug. 7, 1985, Fajardo expressed misgivings about the terms PNB had accepted in handing Pantranco North over to NETI.

Fajardo said PNB did not exhaust all other possibilities in acceding to NETI's terms, and cautioned that the bank should go slow lest it be "accused of giving away Pantranco North for or its assets for a song."

"While I realize that we have had this company for sometime and while continued operations will mean continued losses, it is equally apparent to me that what we are selling is the profitable core of the company, which almost anybody can turn a fairly hefty return on," he said.

Furthermore, Fajardo said "There is a lot of circularity in the justification for the sale of assets, not of the company. We are being told that we should sell because of operating losses. In turn, these are traced to liability-related charges (foreign exchange losses, interest expense, bank charges, etc.).

"The proposal, however, protects the buyer from such problems by placing the burden back on the seller: the company is still responsible for all these liabilities plus contingents arising from labor. Thus, we are retaining the very cause of the losses while giving over to the buyer the only possible basis for a turnaround."

Fajardo said Pantranco North's sale at that time was unwarranted unless PNB could say it had exhausted all operating means to raise traditional revenues, reduced expenses, and generated other revenues so that, excluding liability-related charges, the company could show net operating profits and net cash "throw-off" from operations.

"I am ready to believe," he added, "that there are considerable economies yet untapped in the company. If we add to this our willingness to accept P55 million of labor separation gratuities and to assume all bank loans owed by Pantranco North to us, it is clear that we have ultimately begged the most crucial question: Why don't we just clean up the company ourselves under the same terms we are prepared to grant the buyer?"

LEFT OUT. Excluded from the deal were about P500 million in loans of Pantranco North and some P55 million in employe claims and benefits.

Also excluded were fuel, oil, and lubricants valued at P2.9 million as of Sept. 30, 1985; spare parts and supplies worth about P24 million as of Sept. 30, 1985; furnitures, fixtures, and office supplies; 60 buses; real estate properties owned by NAREDECO, and assets held by PNB under a *dacion en pago* arrangement.

As of December, Pantranco North had current assets of P80.97 million, as against current liabilities of P245.59 million.

Its operating revenues for last year were P410.55 million as against operational expenses of P364.29 million. After accounting for other incomes and expenses, including interest costs, it had a net loss of P21.44 million.

As of Sept. 30, 1985, Pantranco North's total obligations to PNB amounted to P434.3 million. As of November, PNB had made total advances of $2.3 million arising from Pantranco North's unpaid obligations related to a $5-million loan from Samuel Montagu and a $13-million loan from Chase Manhattan.

A strike that paralyzed Pantranco North's operations in the past weeks further contributed to the company's financial difficulties.

As to how fast the commission on good government could act on the ownership question at Pantranco North is crucial to saving the giant bus firm, which has had large government investments.

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MATICHON REPORTS INCREASED SECURITY AT U.S. EMBASSY

BK041222 Bangkok MATICHON in Thai 30 Mar 86 pp 1, 16

[Text] As a result of the naval fighting between the United States and Libya below the "Line of Death" near the Gulf of Sidra of Libya on 24 and 25 March which was claimed as a victory by both sides, the U.S. State Department has instructed its embassies, especially those in the Middle East and in Muslim-dominated countries, to beef up security for fear that President Al-Qadhdhafi of Libya would resort to the dirty method of terrorism and launch attacks on those embassies in revenge.

In England, the British Government is providing greater protection for the U.S. Embassy in London as well as ordering an alert at all British Embassies. Soldiers with machineguns are guarding Heathrow Airport, regularly used by Libyan planes and Arab passengers, for fear of possible frenzied acts by Libyan commandoes.

In Thailand, as observed by reporters, security measures at the American Embassy at 95 Wireless Road opposite the Sinthon Building of the Securities Exchange of Thailand have been tightened over the past week. The security step-up is noticeably different from the period prior to the eruption of the U.S.-Libyan fighting.

U.S. diplomats posted in Thailand have also been more cautious about possible personal danger.

MATICHON asked Special Branch Division Commander Pol Maj Kasem Saengmit about the security provided for foreign embassies in Thailand. He said the Special Branch had taken extra precautionary measures following the eruption of the U.S.-Libyan fighting without prior request from the U.S. Embassy. Police Director Pol Gen Narong Mahanon himself expressed concern over the situation. The police will cooperate in providing security for the American Embassy as well as any other embassy that may be involved in a crisis.

Pol Maj Gen Kasem said the police will check suspicious persons by tracing their itineraries and contacts. The police relies on information provided by Thai informants.

Asked whether the Special Branch anticipated any incidents, Pol Maj Gen Kasem said it is difficult to say. The police do however have plans to cope with

any untoward incidents with precautionary measures to guarantee the least losses possible.

The U.S. Embassy has reportedly tightened security measures at the embassy compound. More security guards have been placed at various points and all vehicles coming into the compound now undergo an inspection which sometimes leads to traffic jams.

Pol Lt Col Theppharat Rattanawanit, chief inspector of the Lumphini Police Station, said they have been instructed to beef up security around the embassy compound the residences of the ambassador and the deputy chief of mission. Patrols around those areas have been increased. Cars are banned from parking around the embassy compound in order to prevent car bombs.

The police are also cooperating with U.S. Embassy officials in information gathering and security matters. Police patrols are also cooperating with the embassy on security matters.

/12913
CSO: 4207/206

PRINCESS RETURNS FROM BURMA, MET BY PREM, ATHIT

BK011015 Bangkok Television Service in Thai 1300 GMT 31 Mar 86

[Text] Princess Maha Chakkri Sirinthon arrived from Rangoon on board a Thai international jet at the Royal Thai Air Force Airport at 1800 today. Princess Chulaphon and her husband Squadron Leader Wirayut Dityasarin, Prime Minister General Prem Tinsulanon, Supreme Commander and Army Commander in Chief Athit Kamlang-ek, military, police officers, and other people were at the airport to greet her. The princess chatted with the prime minister and other people at the airport.

The princess began her visit to Burma 21 March. During her stay there, she visited Buddhist shrines and places of historical significance and observed Burma's arts, culture, and way of life. She also observed agricultural development in Burma. Her visit has further strengthened the friendly relations between the two countries and helped create good understanding between the people and the two countries. U Ne Win, chairman of the Burma Socialist Program Party, the Burmese prime minister, and foreign minister hosted dinner receptions in her honor during the visit.

/12913
CSO: 4207/206

THAILAND

OFFICIALS FACING DIFFICULTIES IN DRAWING UP BUDGET

Bangkok THE NATION in English 25 Feb 86 p 25

[Text]

NEXT year's budget is already being prepared, and officials are facing difficulties drawing up expenditure limits that will allow the government to meet its debt commitments, and to continue providing services, while preventing spending from forging too far ahead of revenue.

Last week senior officials met to discuss what the total level of expenditure should be for the 1987 budget starting this September. They also considered the possibility of rescheduling some of the government's domestic debt. At the same time, moves are afoot to cut this year's spending plans, a practice which is beginning to appear like a mid-year fixture.

Some of the restrictions facing the budget drafters are becoming relaxed. The cut in domestic oil prices and the fall in world oil prices allows officials to predict improvements in economic activity and tax revenue. Consequently, the Ministry of Finance is planning to set next year's expenditure target at between 220,000 and 230,000 million baht, and the minister, Sommai Hoontrakul, told his officials to examine this in closer detail, ready for their next meeting, this week.

Debt, however, remains the major problem. The burden of repayment on bonds increases by 18,565.3 million baht in 1987, by 15,169.9 million in 1988, by 9,947.9 million in 1989, and by 15,241.4 million baht in 1990. The increase in 1986 is less, at 7,783.8 million baht.

An informed source told *The Nation* that last Tuesday's Cabinet meeting, the minister of finance proposed 2,000 million baht rescheduling of the debt for fiscal 1987 and 1988. He argued that this was necessary because of the large shortfall in revenue expected this year.

The source said the 2,000 million baht should be enough to serve its purpose. The rescheduling would not affect the country's monetary system because it would be borrowed from the Bank of Thailand.

Earlier, the Fiscal Policy Office submitted a report predicting a revenue shortfall of 15,000 to 20,000 million baht, over and above the planned deficit of 33,000 million baht. Preliminary estimates suggest a cash deficit of 34,300 million baht or 2.9 per cent of GDP (gross domestic product). The cash deficit includes any deficit or surplus on items of income or expenditure in the government sector, not covered by the budget, but excludes expenditure under World Bank structural adjustment loans SAL I and SAL II.

If foreign loans and grants are included, the cash deficit could be 45,000 million baht or 4.0 per cent of GDP.

Official thinking on what ought to be done should be clearer after this week's meeting of the working group which consists of representatives of the Comptroller General's Office, the Fiscal Policy Office, the Bank of Thailand, the National Economic and Social Development Board and the Budget Bureau. Sommai chairs the meeting himself.

"The latest tendency, based on assessments of the decline in world oil prices, is that the economy will be able to grow at a faster rate. Therefore, the 1987 budget is expected to represent an increased growth rate compared with this year's budget. The expenditure level under consideration will be no more than 220,000 to 230,000 million baht," a source said.

The source said the budget deficit planned for fiscal 1987 would be close to the 33,000 million baht targeted for

1986. The Ministry of Finance, however, is insisting on a cash deficit of no more than 3.5 per cent of GDP. This would be about 40,000 to 42,000 million baht for the cash deficit, only part of which is budgeted.

The expenditure level to be set would depend on the revenue expected, the source said. Two figures for revenue are mentioned: 178,000 million baht, and 185,000 million baht. These are both higher than the adjusted revenue forecast for 1986 of 165,000 to 170,000 million baht. The estimates for next fiscal year are to be based on an "efficiency measurement" method in order that revenue can be close to target. An increase of eight to ten per cent is hoped for.

"After this week's meeting, officials will try to prepare a summary report to submit to the Cabinet as soon as possible," the source said.

The source went on to describe how Finance Minister Sommai had told the Cabinet at last Tuesday's meeting that the government's fiscal position is in serious trouble because of the large cash deficit this year. The Cabinet's recent approval of the tax package would net 618 million baht in increased revenue, Sommai told his Cabinet colleagues, compared with the intended 3,000 to 4,000 million baht that could have been earned if tax on interest had been allowed to increase from 12.5 per cent to 17.5 per cent. (The Cabinet cut the increase in half, leaving the tax at 15 per cent).

Sommai blamed the 1987 debt burden on borrowing policies in the past, and advocated the rescheduling of domestic debt along the lines of foreign debt refinancing. These together would save the government 1,700 million baht in interest payment this year, he is quoted as saying.

Today, the Cabinet is due to consider the Juridical Council's findings on the question of foreign debt refinancing. Responding to a Ministry of Finance request, the council looked at the details of the issue and concluded that refinancing need not be treated as new debt.

The Cabinet is also expected to announce an extension in the raised ceiling on the permitted level of the government's debt service ratio — the ratio of debt service obligations in any one year compared with that year's foreign exchange earnings. Last year the Cabinet approved in principle an increase in the ceiling from 9 to 11 per cent because of the expected fall in export earnings. The increase applied to 1985 alone, and the Cabinet will consider extending this to 1987.

The debt service ratio is already at about 10.9 per cent, hence the need to lift the ceiling. The government's outstanding foreign debt is US$9,680 million of which US$5,866 million is owed by state enterprises.

Refinancing the debt is expected to reduce the debt service ratio by one percentage point each year, and the plan is to bring the ratio down to 9 per cent by 1988.

With an improving export performance, the government could also increase the foreign borrowing ceiling for new debt in any year from US$1,000 million. Nibhat Bhukkanasut, deputy director of the Fiscal Policy Office, says an expected increase in export earnings of six to seven per cent this year could make the ceiling raising possible. However this has not yet been discussed, he said.

One source said the deliberations over the increase in revenue have to be linked with a relaxation in monetary policy. This would help to stimulate the economy at a time when world oil prices are falling and domestic inflation is low. Last week Sommai is said to have discussed with the Bank of Thailand, the possibility of reducing interest rates in such a way as not to hurt commercial banks.

Vijit Supinit, the central bank's director of the Economic Research Department, says that a combination of floating and fixed interest rates would be fairest for all sides concerned, whether depositors or bankers. He says the matter is under consideration.

But he warns that any monetary relaxation would have to be handled with care so as not to affect the balance of payments. Therefore the relaxation would have to keep pace with the foreign exchange saving from US$4 to US$6 per barrel fall in the price of imported oil. He expects this year's saving to be US$300 million.

The economy must not be stimulated to the extent that the country is paying out more than it can afford, Vijit warns. The country only has US$3,034 in foreign exchange reserves.

But for this year, the discussions are about whether to cut expenditure by 5,000 million baht, the figure proposed by Sommai at a Cabinet meeting in January, in an attempt to reduce this year's domestic borrowing. The Budget Bureau estimates that at most 2,000 million baht can be cut.

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FARMERS BANK URGES MORE TRADE WITH LAOS

Bangkok THE NATION in English 5 Mar 86 p 19

[Text]

THE THAI government should open up more border trading points with Laos and remove certain obstacles including the controls over the 242 "strategic products" imposed in 1981, the Thai Farmers Bank has suggested.

In an analysis on Thai-Lao trade released yesterday, the bank's research department admits that the opening up of new border trading points will have to come under strict control to prevent smuggling.

But it maintains that the current restrictions on trade related to the 242 strategic goods classification are far too rigid "which are not compatible with current circumstances."

The list should be reviewed and only those directly related to national security should remain on the "restricted list," the bank's paper says.

Some of the items could be deleted from the list so that trade between the two countries may be stimulated.

"The government must be able to separate trade from politics for the sake of national interest in the future. It's time Thailand fully opened up the door to trade with Laos," the bank says.

The analysis says that Thailand has enjoyed a trade surplus with Laos all along. It noted that after the political change in Laos and following the adoption of the new government's first economic development plan (1976-1980), trade between Thailand and Laos grew.

The analysis notes that Laos might have tried to reduce her economic reliance on non-communist nations, including Thailand. "But that's a difficult policy to achieve, even if landlocked Vientiane tries to go through Vietnam to reach the sea. For all practical purposes, it is still more convenient to keep the contacts with the world through Thailand," the analysis says.

Thai products continue to dominate Laos. During 1980-84, the market share of Thai products in Laos amounted to 39.06% of Vientiane's total imports. But the Thai market share there may be declining because of the shift in Laos' economic policy towards other socialist countries.

At the same time, some non-communist nations, especially Japan, have also been trying hard to penetrate the Lao market.

While Thai consumer products continue to be the most popular in Laos, Laos has imported most of its capital goods from Japan.

This is where Thailand should pay attention. Thai businessmen are in a position to supply Laos with heavy equipment as well as parts if proper support is given by authorities concerned through improvement in policy," he said.

Thailand and Laos used to have 12 checkpoints in five provinces — Nong Khai, Nakhon Panom, Mukdaharn, and Ubon Ratchathani. But after some political conflicts, all the points were closed — until Aug 29, 1980, when Thailand decided to reopen the checkpoint in Nong Khai. Another point in Mukdaharn reopened on Nov 24, 1981.

Since 1982, the Commerce Ministry has permitted exports to Laos of up to 20,000 baht per person, which prompted an increase in smuggling.

During a recent meeting in the Northeast of the Joint Private-Public Sector Consultative Committee, businessmen from the 17 Northeastern provinces sought permission to increase the ceiling of trade to 50,000 baht each and to empower provincial governors to sign the permits.

The bank report says that the two border trading points in Nong Khai and Mukdaharn aren't sufficient. And the points that should be considered aren't necessarily confined to the Northeast. "In the North, such as Amphoe Chiang Klang of Nan Province bordering on Laos, unofficial trading has been going on for quite sometime. Official opening would help promote trade volume," the paper says.

It also suggests that new border trading points be taken into consideration in Nakhon Panom, and Tha Udane, Sri Chiangmai of Nong Khai and Amphoe Kemrath of Ubon Ratchathani.

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INTEREST RATE CUTS MAY HURT BANK PROFITS

Bangkok THE NATION in English 12 Mar 86 p 25

[Text]

LOCAL commercial banks are expected to face a sharp 40 per cent fall in their operating profits during the first half of this year due to the reduction in lending and deposit rates on March 5.

There will be some impact on banks' mobilization of savings but it will not be severe as there are limited opportunities for investment with better return amidst the currently unfavourable economic situation.

At the same time, the role of unorganized money market such as chit fund has been drastically reduced. The public has become very wary about such investments. Depositors will still maintain their deposits with banking and financial institutions.

These points are part of a study by the economic research department of Thai Farmers Bank released yesterday. The study evaluates the effects of the decision of the Finance Ministry and Bank of Thailand to substantially cut the lending and deposit rates to stimulate investment and the country's economy.

The bank said that there might be some transfers of funds from financial institutions to others which offer higher interest rates. There could also be more investment in other securities, such as in the stock market.

The bank does not expect a major change in the structure of deposits though the difference of margin has now changed from 0.85 per cent to 0.825 per cent between time deposit and savings account.

The Bank of Thailand announced a cut in lending and deposit rates on January 2 but the move failed to stimulate the sluggish economy. Lending growth continued to be low while foreign interest rates were between 7-8 per cent, leading to the inflow of US$200 million on an average per month. Excess liquidity at financial institutions remained high and the trend was likely to remain unchanged without further adjustments. Thus, came the decision of the monetary authorities to cut down the local rates on March 5.

For depositors, their interest yield would immediately drop for deposits after March 5. Deposits placed before that day would continue to receive the old rate until the term of the time deposits expires.

For three-month fixed deposits and beyond, the rate would remain at 11 per cent. Their net yield after the 15 per cent withholding tax would be 9.35 per cent. For deposits after March 5, the rate is 9.5 per cent and when the tax is deducted, the net yield will be 8.075 per cent per annum. Savings account will yield 7.25 per cent per annum, down from 8.5 per cent.

Deposits at finance and credit foncier companies would be subject to the same change, particularly for time deposits. Call deposits yield the new rate immediately.

The interest rate reduction means lower return for depositors. Buyers of government securities will face minimal impact.

Holders of government bonds issued earlier will remain unaffected, particularly those holding bonds yielding higher interest rates. The return is 10.5 per cent and after tax deduction, the net yield will be 10.01 per cent, which is higher than the deposit rate which is 8.07 per cent.

Thai Farmers Bank expects that new batches of government bonds will yield lower interest rates.

Time deposits at commercial banks will yield 1.5 per cent less per annum. When the tax is taken into account, the reduction is 1.275 per cent. The rate for savings account drops 1.25 per cent. Promissory notes of finance and credit foncier firms yield 1.5

per cent less. However, the bank said that the rates may fluctuate among financial institutions but they remain under the ceilings set by the Bank of Thailand.

From the new interest rates, depositors stand to earn the real interest rates ranging from 4.25-8.475 per cent per annum when inflation rate, estimated at three per cent this year, is accounted for.

For banking and financial institutions, the interest rate cut means lower costs for funds from new deposits but the costs remain unchanged for deposits whose term is still valid.

The unchanged costs will be a heavy burden on banking and financial institutions because the portion of fixed deposits of three months to one year is considerably high, said the bank.

Commercial banks have five per cent as current accounts, 20 per cent of savings accounts, 25 per cent of fixed deposits of less than one year, while 50 per cent are one-year fixed deposits.

The interest rate restructuring would affect the operating profits of commercial banks, Thai Farmers Bank said.

For borrowers, it means that their operating costs would decline following the government decision to implement a tax restructuring, reducing oil prices and electricity rates. These factors would contribute to growth in domestic investment.

Thai Farmers Bank said banking and financial institutions will face a loss of revenue in the first six months of this year. The degree of impact on them would vary according to their respective structure of deposits and lending.

But in the long term, when banking and financial institutions can adjust their costs and return at a compatible rate, the impact would gradually decline.

Following the adjustment on March 5, the difference between the maximum deposit and lending rates has been narrowed from six to 5.5 per cent. Though the narrower margin affects banks' profits, their revenue could be offset by credit expansion, said the bank.

The bank observed that formerly the central bank had wanted commercial banks to provide lending to the priority economic sectors at 15 per cent per annum, while 17 per cent will be for general loans. Under the new structure, the central bank has not specified the requirement.

"This is generally good for commercial banks because the requirement made it difficult for banks to select clients," said the bank. The difficulties lay with the fact that banks might have to give low interest rate to operators of business in the priority sectors even though their position was financially unstable.

By setting the ceiling at 15 per cent, banks would have more flexibility in lending and debt management. Central bank officials have also said that the 15 per cent interest would be attractive enough for new investment and stimulating economy.

The bank also outlined general effects of the interest rate restructuring. In mobilization of savings, there might be some psychological impact in the initial stage with a change in the structure of deposit and lending of financial institutions.

For depositors, the change of behaviour from fixed deposits to savings account would give them more flexibility in deposit and withdrawal. Holders of savings account can deposit and withdraw funds any time.

Thai Farmers Bank expects that there might be some transfer of funds from the commercial banking system to unorganized money markets such as chit fund pools won that the interest yields are lower, but the movement would not be very active as such activities have been outlawed.

The collapse of major chit fund pools last year reflected high risks for investment in the unorganized money market.

The bank expects continuing inflow of foreign capital as there are indications that international interest rates would come down. When compared with the domestic rates, there is still a substantial difference encouraging further inflow.

Foreign rates at present range between 7-8 per cent. When combined with currency risk coverage of 2-3 per cent and other expenses which do not exceed one per cent, the cost remains 10-12 per cent, compared with the ceiling lending rate at 15 per cent. Monday market rates will be 12-13 per cent.

However, the reduction of local interest rates would reduce the differentials and this would lead to more demand for local funds. At the same time, there will not be outflow of funds unless there are sharp fluctuations in exchange rates.

The bank said that the lower lending rate will stimulate investment in the long term as business operators will now shoulder less costs. This will lead to lower prices of products, increase in sales turnover, resulting in further expansion of their operations.

The lower deposit rates will also encourage investments when interest yields become less attractive.

Investment in the stock market is likely to pick up following the interest rate cut. Dividend yields are likely to go up due to declining operating costs for business following the reduction of oil prices and electricity rates.

Banks' financial situation and liquidity position will return to normal as there are indications that credit will expand due to economic recovery. The increase in deposit and lending would be at a similar rate resulting in the decline of excess liquidity.

Thai Farmers Bank said deposits in the commercial banking system rose 3,735 million baht in January while lending increased by only 347 million baht.

The lower operating costs in business will reduce the chances of business failure and boost the capability of operators in loan repayment. Banks will also expect less write-off of bad debts.

The New Interest Rates Structure

(Effective March 5)

	Present (%)	New Rates (%)
• Commercial Banks		
Lending rates		
--General	17	
--Priority sectors	15	15
Deposit rates		
--One year fixed	11 (9.4)*	9.5 (8.1)*
--Savings account	8.5	7.25
• Finance Companies and Credit Fonciers		
Lending rate	20	18.5
Promissory notes		
--Credit fonciers and finance companies with special conditions	15 (12.8)*	13.5 (11.4)*
--Other finance companies	14 (11.9)*	12.5 (10.6)*
• Discount rates charged by the Bank of Thailand (effective March 4)		
--First tier	11.0	10.0
--Second tier	12.0	11.0

* (After tax on interest rate earned at 15 percent)

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BANK OF THAILAND TO ANNOUNCE MORE RULES FOR BANKS

Bangkok THE NATION in English 17 Mar 86 p 17

[Article by Vajara S. Santikul]

[Text]

THE Bank of Thailand will soon announce regulations for commercial banks to set aside the reserves for doubtful accounts as a new move to maintain stability in the system amidst the prevailing economic slump.

According to well-informed sources, the central bank will make it "officially" by formalizing the requirement for commercial banks to maintain the reserves to cushion the impact of bad debts.

Currently, the central bank just issues a circular to commercial banks urging them to act to that end. But the regulations will serve as an enforcement of the requirement for banks to maintain their reserves for all categories of debts.

The sources said that the central bank's move is to prevent the write-off of ad debts or doubtful accounts from affecting the stability in the commercial banking system.

The sources said that the level of reseves would vary. The central bank defines bad debts as those which cannot be claimed and written off. Doubtful debts mean loans with insufficient collateral or those with the chance of repayment ranging between 10-90 per cent of the total, or debts with overdue interest payments exceeding one year, on non-performing loans, or lending to companies with unstable operations.

When economy showed impressive growth rates, the reserves for bad or doubtful debts maintained by commercial banks just account for 0.25 per cent of their respective total assets. But when banks face an increasingly growing number of bad or doubtful debts, the reserves are two or three per cent of the total assets of each bank.

Last year, bad and doubtful debts of commercial banks increased by 1.6 per cent of banks' total assets from 1984. The requirement for banks to maintain the reserves depend on the lending of each bank.

The sources said that lending by the commercial banking system up to 100,000 million baht has been in the rice milling sector, sugar industry, construction industry, real estate business and liquor trading.

These loans have not been performing due to economic slowdown, forcing commercial banks to relax their terms for clients and continue producing financing to these industries so that they can survive the hardships.

The sources said that it was expected that it would take five or six years before these industries begin making profits to be in a state to reply loans. Another sources said that there were problems in lending to the construction and real estate sector because it lead to speculation for higher prices.

At present, these businesses are adversely affected by the increasing interest burden. By the end of last year, commercial banks had extended credit up to 30,000 million baht to the construction industry while the loans for speculation in the real estate business amounted to 20,000 million baht, sources said.

The sources pointed out that the impact on commercial banks was due to economic problems beyond the control of the central bank in the past few years.

However, the results are that there were problems in interbank lending and the capability of commercial banks to repay loans among themselves. This is a major concern for the central bank, sources said.

It seems inevitable for the central bank to solve short and long term problems. It is almost certain that the Bank of Thailand will somehow begin intervention. Apparently, under the present situation the central bank can just require commercial banks to increase their capital or capital funds to prevent insolvency by raising registered capital or the reserves for bad debts.

The central bank will follow up on the problems of the 16 local commercial banks on a case-by-case basis.

The source said that the central bank has concentrated on preventing banks from having too much exposure to any particular business operation such as the tin industry, which tend to affect banks' stability when serious problems occur. There is the need for banks to diversify their lending.

The central bank's intervention, though it has been trying to encourage banks to raise their capital funds, was obvious that commercial banks are facing serious problems due to the inability to boost their earnings. There are indications that in the next six months, commercial banks are likely to face a decline in their earnings due the reduction of deposit and lending rates effective as of March 5.

Sources pointed out that it may prove difficult for banks to increase their capital funds or reserves for bad or doubtful debts if banks cannot have good earnings. If commercial banks were required to allocate their accumulated profits for reserves they would have to suspend dividend payments to shareholders.

However, the central bank, on March 13, announced that lending by commercial banks to rice mills would not be considered as risk assets. This a means of the central bank to provide relaxation to commercial banks, the sources said.

The central bank wants to see to it that commercial banks weather through the economic adversity while there is recession. Last year, it amended the Commercial Banking Act which requires banks to set aside additional reserves for low-value assets or non-receivable.

The central bank's concern grows along with the increasing sluggishness in the country's economy which began in 1983. The central bank had to stringently control and supervise the operations in the commercial banking system to survive the economic hardships.

The expected regulations will enable the central bank to exercise its authority in intervention for shoring up the operations of banks which face serious problems caused by bad debts.

The central bank has already formed the fund for Rehabilitation and Development of Financial Institutions through the promulgation of a special decree. The fund receivers contribution from banks and financial institutions up to 0.5 per cent of the respective deposits of the previous year's end.

It has so far provided 1,000 million baht to the Sayam Bank to increase its registered capital with a standby credit of 500 million baht. As it is difficult for the central bank to have the contribution from banking and financial institutions, the Fund will supervise a soft loan from the central bank to Sayam Bank to enable it to operate with reasonable flexibility.

A senior executive of the Bangkok Bank said that commercial banks, amidst unfavourable economic situation, have to adjust themselves. "The situation is a challenge for professional bankers. The first priority for banks is to reduce their costs and boost earning, not for expenditure, but for reserves. The integral part of the situation is that bank personel must have efficiency.

Dr Vichit Suraphongchai of the Bangkok Bank said that banks might find an increasing number of doubtful accounts and debts. "Thailand is not alone in facing this situation," he said.

He added that this situation occurred in a cycle. "When the economy is bad there will also be an upturn but people just do not know when it will come about. Thailand's economic situation will not deteriorate due to declining international oil prices and interest rates as well as stable exchange rates. These factors will contribute to business expansion," Dr Vichit pointed out.

The adjustment of commercial banks, he said, must be timely so that they can cope with increasing competition and economic recovery, he said.

He admitted that there was a growing number of doubtful debts in the commercial banking system, particularly in the rice, sugar and liqour sectors. Attempts to solve these problems should enable these businesses to survive on their own and eventually repay debts. Banks will relax the

terms and conditions for loan repayments. Whether it will be a long or short term affair will depend on the type of business and the capability to repay loans.

"I think that it is not easy to run banking business because commercial banks have to be specially careful with lending to businesses which have quality assets and are least risky," Dr Vichit said.

Unofficial reports showed that the commercial banking system last year had total assets of 807,000 million baht, including the foreign branches of Thai commercial banks. For local banks, excluding their foreign branches, the total assets amounted to 707,000 million baht. Foreign banks operating branches here had total assets amounting to 34,000 million baht.

The capital fund of the commercial banking system amounted to 42,000 million baht, including 3,200 million baht of foreign bank branches here.

Total deposits amounted to 615,000 million baht, including 555,000 million baht in local operations and 13,000 million baht of foreign bank branches.

Credit outstanding amounted to 606,000 million baht, including 530,000 million baht in local operations and 25,000 million baht of foreign bank branches.

President of Nakhorn Thon Bank, Suvit Wanglee told *The Nation* that the bank did not have much problems concerning bad debts because it has been doing business with major firms.

He admitted, however, there has been a growing number of problem loans through they are not to be written off. What the bank can do for clients is to extend the repayment term by one year or longer depending on the ability of each business to repay loans.

"But we continue to provide lending at normal level, such as term loans and overdraft," he said.

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MINISTERS DISCUSS WAYS TO EXPLOIT FALLING OIL PRICES

Bangkok THE NATION in English 17 Mar 86 p 17

[Text]

THE prime minister yesterday called a special meeting of selected ministers to discuss how best to exploit the benefits of falling oil prices.

At the three-hour meeting, which followed the Cabinet meeting, were Finance Minister Sommai Hoontrakool, his deputies, Suthee Singhasaneh and Subin Pinkhayan, and Industry Minister Chirayu Isarangkun na Ayuthaya. The permanent secretary for finance, Phanas Simasathien, and Nibhat Bhukkanasut, the deputy director of the Fiscal Policy Office were asked to stand by but were not called into the meeting.

Subin said afterwards the ministers had concluded that the benefits could be used in three broad ways. First, consumers could benefit directly through retail price reductions for oil, and if world prices continue to fall there could be further domestic reductions.

Second, some of the gains can be used for economic development, particularly through an increase in the government's expenditure budget for fiscal 1987 which begins this October. Officials have already been talking about the possibility of doing this as lower prices allow greater economic growth, increased government revenue and an easier foreign exchange position.

Third, some of the benefits should be kept in the Oil Fund, which Subin said is still needed in order to absorb world price fluctuations and leave domestic prices stable.

He said it has been estimated that for each dollar knocked off the price of a barrel of crude oil, the country stands to gain 1,200 million baht per year. Market opinion suggests that world prices could fall to as low as US$13 per barrel, he said.

On the budget for 1987, Subin said he thought a "negative growth" or "zero growth" budget would be inappropriate. This would cause panic, he said, but if expenditure is allowed to grow past this year's level, growth would still not be the 8-10 per cent rates of the past.

The benefits of the oil price reductions should be treated as an "extra" he said, similar to winning a lottery prize. They should be used wisely. But he also said Thailand should not be too worried about incurring some foreign debts. The country has always borrowed in the past, he said.

"I believe we have the potential to pay back our debts," he said.

Asked about possible changes in oil taxes, he said these had not been discussed, but the Ministry of Finance in any case wants to close the gap between gasoline and diesel consumption.

Yesterday's conclusion will be presented to next Monday's meeting of the Council of Economic Ministers, he said.

Meanwhile, informed sources said yesterday that the Ministry of Finance has revised its Gross Domestic Product figures for 1985 and 1986. For 1985, the total is now calculated at 1,056,000 million baht, reflecting a growth of 4.4 per cent on 1984. The prediction for this year is 1,370,000 million baht, or a growth of between 4.0 and 4.2 per cent.

Yesterday Subin also floated an idea for a "Thai MITI". He said he would be getting together with Social Action Party colleagues at the Foreign and Commerce ministries, and also with Chirayu at the Industry Ministry.

These ministries, together with the Finance Ministry could form a body comparable to the Japanese Ministry of International Trade and Industry to direct production and marketing toward exports. The "Thai MITI" could prepare feasibility reports covering marketing, production, costs and investment prospects, with labour-intensive, medium-technology industries suited to Thai conditions as the targets.

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MINING OFFICIAL VIEWS TIN TROUBLES, GOVERNMENT OPTIONS

Bangkok THE NATION in English 17 Mar 86 p 19

[Interview with Rachan Kanjana-Vanit, president of the Mining Industry Council, by Adisak Limprungpatanakit]

[Text]

QUESTION: What has been happening since the collapse of the rescue package for tin, and what has the Mining Industry Council been doing?

RACHAN: What has been clearly happening is that as well as the price being low, tin hasn't been sold. At the time of the failure of the rescue package, on March 10, the Kuala Lumpur price of tin was 19 ringgits per kilogramme. The price fell rapidly to 17 ringgits/kg, the lowest price since the Kuala Lumpur opened on February 3.

THAISARCO sales were only 13-14 tons per day. The low price and low sales are due to the clearing of debts in London, with the "ring out" (forced settlement of contracts on March 12). Those who had bought tin, used it put to settle their debts. Everyone expected it to be sold cheap. We all expected that because of the large tin stocks. The figure of 85,000 which is mentioned doesn't include stocks held by various countries. That could bring the total to 100,000 tons. In other words, if all the mines closed down, there would still be easily enough tin to use for a year.

But no one would agree to a total closure. Everyone wants to survive so we all compete to produce at the lowest cost in order to avoid borrowing. It is unavoidable that some will have to close down, considering the global picture. The closures will reduce supply, because the quota system has failed. People refuse to buy. We used to buy the tin ourselves, using the buffer stock fund to support the price.

If the Mining Industry Council is to help mines in Thailand so that only a few have to close and the rest can be competitive, production costs have to be cut. This can be done. Looking at the figures at present, the buffer stock burden is 240 baht per picul. It's a major cost item. If the government were to abolish this, it would be a great help. Even so, it won't be possible for everybody to survive. But the government needs to draw the money to pay interest to the IMF. Repayment on the principal, however, could be postponed.

Q: Have you estimated how many Thai tin mines will have to close down?

A: I can't make any estimate because of the factors involved. Apart from the price, there is the volume of sales. Even though the price is low, we don't know where to sell the tin because in the past 20 years we have been breathing through other people's noses as far as marketing is concerned. We have relied on the smelters, but now the smelters say they cannot buy or sell tin. We have no means of contacting the market.

I think we have to start from scratch. We have to look for

markets, which we can do if we are supported by the government. Everyone agrees that there is a tin glut. If we continue to produce it, we'll have to compete to market it, and this can only be done if our tin is cheaper than others' because the number of consumers is limited.

Q: To what extent can costs be cut in Thailand compared with other countries?

A: Compared with Brazil, it can't be done, because Brazil has newly-discovered tin resources. It only became a major producer when we set up the ITC to support the price. When we reduced our production, we created competitors.

Our mines include freelancers who don't need concession rights, so their costs are low. They aid the economy indirectly, but they don't help the state to collect taxes. They will continue mining, whatever the price.

The comparison with Malaysia and Indonesia is the same. Malaysian miners have highly efficient dredgers. Indonesian mines mostly belong to the government and costs are not very high because there has not been much investment — they were seized from their original Dutch owners.

The Malaysian and Indonesian mining equipment use oil, and both countries are oil producers as well. We tend to forget that we have to buy oil from elsewhere.

So it isn't true that Thai mines have lower costs than others. And we have the tax system, the buffer stock, and royalties. These put us at an even greater disadvantage.

Q: In that case, how can we compete on the free market?

A: At the end of March, even if the ITC sets a quota, it will be meaningless because already we can't sell as much as the quota. The ITC has since announced it will not set quotas. For example, between January 2 and March 10, of the 5,268.8 tons, 822.2 remains. There are 15 working days left. That makes an average of 54.8 tons to be sold each day in order to fill the quota. That is not possible, because we are only buying 10 tons per day.

However, the quota system is bad in the sense that although we cannot produce that much, its allocation forces some mines to stop operations for certain periods, and efficiency is reduced. Planning is impossible because the quota is issued every three months. If production exceeds the quota, the machines have to be stopped. This doesn't follow the market.

Q: Thailand bases itself on Kuala Lumpur prices which do not truly represent world prices. Are THAISARCO's purchases and sales realistic?

A: That's true. If we have our own price we will be competing. But if there are two markets, buyers will inquire about the prices and competition will force each one to reduce prices. But if the prices are equal — Thai tin is 99.9 per cent pure, while Malaysian tin is 99.8 per cent. Thai tin has a higher grade. If we export the ore, the percentage is still higher because of the presence of tantalum. If the prices are the same, we have the advantage of quality.

We cannot say whether the period from December 17, when we set our own prices, and from February 10, when we based our prices on Kuala Lumpur market prices — which of these has been better. The periods were too short and they came at a time of crisis. It's possible that we might not be able to sell any tin at all from now. Everyone possesses tin.

Q: Would it help if the Thai Government were to ask the Malaysian Government to allow Thai tin to be sold on the Kuala Lumpur market?

A: It probably would be meaningless, because Malaysian sales are already low. The Malaysian trading figures are not genuine KLTM figures, because the largest producer, Malaysian Mining Corporation, is partly government-owned. This company sells its product itself. It gets the smelter to smelt it and then finds its own markets. It does the trading itself. About 60 to 70 per cent of tin in Malaysia belongs to this company. The sales on the Kuala Lumpur market are the amounts the smelters buy.

The situation is different in Thailand, where all the tin ore has to go to the THAISARCO smelter. The smelter does the trading.

Q: How can this problem be solved? For example would it be possible to make the mining companies trading companies as well?

A: It is not possible at the moment to do the trading oneself because the government only allows the smelter to do it. No one has exported ore because of the quota. It's still all theoretical. It can't be put into practice. But it would lessen some of the problems if everyone looked for markets, both for ore and tin.

Many people have warned that it is time to do something in this respect, but it is difficult to do it immediately. Some Thai mines will have to under, but because of the production quotas, no one is prepared to close down. Some people have mines, and quotas, but their equipment is idle. They have ore in their stocks. If they notify the authorities that they have stopped production, they are not allocated sales quotas.

Therefore, it is impossible to collect accurate figures of mine closures in Thailand. There is surreptitious mining, illegal mines, smuggling, all forms.

The more rules we set, the worse things become. We cannot make accurate statistics. We say we are the third largest producer, in fact we could be first or second because so much is smuggled out.

Q: How will Thailand be affected by the claims and proceedings between the banks, brokers and ITC members?

A: Thailand has been a member for 20 years. It is not the only country that has to watch other countries' positions. The most obvious effect is that being a member in order to control or support the price is no longer sacred or credible, because when problems arise, members accept no responsibility other than for the money they have already paid. This is the first time we have had an agreement like this. What will responsibility be like?

Q: Will the ITC remain, and will Thailand take the opportunity to withdraw?

A: The council will remain because the agreement will remain. I understand that in order to withdraw notification must be given one year in advance. Withdrawal is probably only the lifting of responsibility for the future. But it will be difficult to avoid responsibility for past commitments. This probably cannot be concluded in the near future. Can the three largest producers have authority over the sovereignty of others? I understand that the banks and the brokers understand this problem well, and are trying to reach a compromise settlement for the debts in the form of a rescue plan.

Q: What did the Mining Industry Council prepare for the ad hoc meetings?

A: Nothing much. I don't think the problem can be solved easily, even though the authorities have tried to reduce some of the burdens.

Marketing remains the biggest problem. At previous meetings, most of the discussion has been with THAISARCO, with the Mineral Resources Department acting as the boxing referee. THAISARCO no longer has the ability to sell or to buy. It should be the joint responsibility of Thais in the industry and in government to try to penetrate markets.

We have asked Thai trading firms to help. They said they had never done this before because THAISARCO had always done it. The problem now is that it is a buyers' market. Thai traders and officials have cooperated in looking for markets for other goods, but for tin we have left it to Billiton alone. The Chuti Boonsoong Mining Group who have traded with Japan ought to be able to do it.

But the export policy is not clear. We have to wait for THAISARCO to buy the tin first in batches. It can't be done in a few days. It has to be a long term thing. We tried hiring THAISARCO to smelt our tin and export it ourselves. It was 50 tons which is a small amount and difficult to export. We can no longer depend on THAISARCO alone. The end of March will be a real crisis.

There will probably have to be an ad hoc committee for looking for markets, the abolition of the 240 baht per picul buffer stock fee and the Revenue Department should allow the 240 baht to be written off, because it is now worthless — our money goes to help the government to pay interest, but it is treated as an asset. I don't understand why this hasn't been considered yet.

Q: If the end of March is to be a crisis, what plans have been laid to prepare for it?

A: We'll probably have to try to solve the problem of cash flow. For example, Tongkah Harbour Co which I manage, because it is a new company, operates only on loans. We'll try to repay the debts with high interest rates, leaving only those with low interest rates. Low yielding assets such as land will be sold to cut costs.

We are a new company and can probably do no more. Older companies have different problems to solve. There are bound to be some layoffs, but no one can tell how long it will take. If everyone shuts down for four or five months, purchases should probably pick up again quickly.

In the past we have never made any contingency plans. We have waited for crises to occur and then tried to solve them. We never prepared to look for markets. The government says no mines have shut down. Miners ask in the mining Industry Council meetings if the government wants them to die first before offering assistance.

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POLL SHOWS SUPPORT FOR ECONOMIC POLICY SHAKEUP

Bangkok THE NATION in English 23 Mar 86 pp 1, 2

[Article by Pirun Seritham]

[Text]

A SURVEY of economists, leading government and state enterprise officials and private business "thinkers" has found support for most of the major economic measures imposed recently by the government. But they have also voiced strong criticism about some basic issues haunting the country's economy.

The survey was conducted by the National Statistical Office (NSO) and the outcome was recently submitted to Prime Minister Prem Tinsulanonda and Cabinet members.

Eighty-three "opinion leaders" including 35 university lecturers, 24 government and state enterprise officials and 24 academics working in the private sector were asked to respond to questionnaires during January 25 and February 26, this year.

Part of the "aftermath" of the survey prompted the Cabinet to act swiftly to reduce the fourfold increase in the registration tax levied on owners of diesel-fuelled and LPG-powered vehicles by 100 per cent, authoritative sources told *The Nation*.

The report on the survey also offered a long list of recommendations including higher spending in the budget to spur the economy, cutting back on military spending and working seriously to reduce budget deficits.

Recommendations on ways to reduce budget deficits, according to the results of the survey, include;

- An increase in expenditures on national development. The figure now is too low. One way to go about it is to cut back on military spending by persuading the military to appreciate the financial standing of the country. Defence development should be geared towards quality improvement, without having to rely solely on an increase in military hardware.
- A revamping of the tax structure to eliminate the prevailing feeling among the people that the government is overly exploiting them. The tax base should be broadened and the taxation system should be geared towards direct tax collection. The tax collection system should also be simplified and improved plug loopholes while tax-evaders must face decisive legal action. Export duties should also be reduced while red tape in taxation must be removed.
- A slight increase in spending to spur the economy. The government could offset the budget deficit by slightly raising the ceiling of lending from the Bank of Thailand.
- The dissolution, transfer or sale of inefficient and losing state enterprises without delay or fear of resistance.

The three groups of people also believe that major stumbling blocks against economic improvement include:

- Government instability. As a result, it tends to protect the interests of influential political groups and groups with vested interest which back political groups. Measures and policies to solve the country's problems are often geared towards political results.
- High-level administrators both in government and the private sector who are not efficient. Lacking knowledge, experience and skill, they do not have the courage to tackle major problems or at times make wrong decisions.
- Actions to solve economic woes which come too late, fail to address the crux of the problem due to lack of information and continuity in monitoring of issues and fail to get to the heart of the problem.

Critics of some of the policy measures in the survey cited:

• The zero-growth budget policy, which will cause the economy to shrink further, aggravate the acute unemployment and cause more bankruptcy in the business sector because these businesses count on government spendings to a large extent.

In the current economic doldrums, the government should increase its spending but towards national development and not defence.

On the income tax imposed on deposits, all parties concerned disagreed with the measure on grounds that it discouraged public saving and adversely affected individual savings. But they would agree to it if a deposit ceiling was set so that the middle-class people who are saving money are not affected.

The critics also argued that the measure has reduced the purchasing power of the people who are saving their money at banks and as a result negatively affect industry and service businesses.

On the rises in certain public utility charges, opponents to the increase said that these utilities are not aimed at making high profits.

Table shows those "for" and "against" major economic measures in a survey of experts and economists conducted by the National Statistical Office between January and the end of February.

	MEASURES	PERCENTAGE	
		For	Against
1.	Zero-growth Budget	50.6	49.4
2.	Reduction in job opportunities in govt agencies	76.0	24.0
3.	Minimum wage adjustments slowdown	79.7	20.3
4.	Selective import controls	78.9	21.1
5.	Liberalization of export procedures	96.0	4.0
6.	Export credit guarantee/refinancing facilities	93.0	7.0
7.	Interest rate cuts	97.3	2.7
8.	Baht devaluation in Nov 1984	87.5	12.5
9.	Increase in tax on interest on bank deposits	41.1	58.9
10.	Increases in water, power, telephone rates	37.0	63.0
11.	Changes in oil prices, raising diesel price	77.3	22.7
12.	Paddy minimum price support scheme	48.0	52.0
13.	Controls on local consumer prices	65.3	34.7
14.	Protection for local industries through tax barriers	66.2	33.8
15.	Protection for local industries through fixing local content ratio use	74.3	25.7
16.	Reduction of taxes on certain raw materials to support export-oriented industries	86.6	13.4
17.	Tax refund for exporters	87.0	13.0
18.	Postponement or scaling down of capital-intensive projects	83.8	16.2
19.	Foreign debt control	90.9	9.1
20.	Introduction of inheritance tax	92.1	7.9

They proposed that the government should improve the management of the state enterprises and plug loopholes, and not resort to the easy option of raising fees.

Luxurious spending, including high salaries, fewer working hours, abundant fringe benefits, job security and other privileges are among the factors that unnecessarily increase the cost of production at state enterprises, according to the critics.

The increase also raises the cost of production in the goods manufacturing sector, tarnishes the investments climate and directly affects the grassroots, they said.

On the paddy floor price programme, the critics said that it was only a short-term solution to the low paddy prices and failed to benefit most farmers. The government cannot arbritarily set the floor price and does not have enough money to support the scheme, which will backfire in the long term on the economy.

The government should instead allow the market to function in accordance with the law of demand and supply, supply farmers with marketing information and resort to such long-term solutions as the construction of silos

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▶▶▶ PREM REACTION

Gen Prem is here during the weekend to preside over ceremonies to inaugurate hospitals. He is due to fly back to Bangkok tomorrow amidst speculation that he may act on the issue soon.

▶▶▶ SUBIC STRIKE

A navy press release said the "wildcat strike" broke out Friday night and pickets mounted at four land entrances prevented servicemen from entering and leaving the strategic naval base.

The six Filipinos were hospitalized after they were stabbed and hacked in scuffles with eight Marines who attempted to smash their jeep through the picket line at the main gate adjoining the Liberty town of Olongapo shortly before midnight Friday.

Dominador Arpoya, 22, who sustained wounds in the buttocks, said one of the Americans spat on the faces of the workers the food he was chewing. Arpoya said the workers beat him up. But the Americans came back armed with knives and the rumbles ensued, he said.

The official Philippine news agency said six were injured, but hospital sources could not confirm the other two stabbing victims. A base spokesman said he knew nothing of the incident.
— Reuter/UPI

MANAGEMENT PLANS FOR STATE ENTERPRISES DEBATED

NESDB on Ailing Operations

Bangkok MATICHON in Thai 20 Mar 86 pp 1, 16

[Excerpt] Mr Phayap Phayomyon, who works for the National Economic and Social Development Board, gave a lecture on the "Government's Policy Toward the State Enterprises" during a seminar on the state enterprises subordinate to the Ministry of Defense. This seminar was held at the Information Center auditorium, Chulalongkorn University, on 19 March. He said that a state enterprise plan has been drafted. The plan will probably be submitted to the National State Enterprise Committee very soon. After that, it will be submitted to the cabinet for consideration. This is one of the 10 important plans in the 6th National Economic and Social Development Plan, which will be in effect from 1987 to 1991.

Mr Phayap said that this plan clearly stipulates that the state enterprises must be self-supporting. If a state enterprise cannot support itself, it will have to be changed. It could be dissolved or leased to private individuals. The government will give financial support only to public utility and public service enterprises and to those state enterprises that have not been allowed to raise prices.

Mr Phayap said that this plan also stipulates that state enterprise management must be improved by bringing in professional administrators. A regulation has been formulated on remitting profits to the state. The state enteprises must remit an amount at least equal to the amount paid in corporate income taxes. Besides this, the Ministry of Finance is considering imposing a more suitable tax on the state enterprises. The state enterprises should have to pay taxes in the same way as people in the private sector. An example is the trade tax. The matter of what taxes the state enterprises should have to pay is now being discussed.

Mr Phayap said that besides this, the state enterprise plan will also give attention to state enterprise personnel benefits in order to prevent too great a disparity between the various state enterprises and between the state

enterprises and the bureaucracy. The state enterprises will be required to reduce foreign loans. Instead, they will have to use domestic financial markets. Suitable regulations have been stipulated concerning state enterprise investments.

Mr Isara Suwannabon, an instructor with the Faculty of Political Science, Chulalongkorn University, spoke about the importance of the state enterprise plan. He said that in the past, state enterprise management depended on the style and temperament of the administrator. There was a lack of continuity. To solve the problems, the state enterprises must implement this plan. They must change their management so that it is more like that of the private sector. In formulating plans, attention must be given first of all to the marketing plan rather than to the production plan or other plans. Once plans have been formulated, the work must be monitored and evaluated.

Mr Isara also said that the state enterprises are now experiencing a personnel crisis. This is because many senior administrators will retire this September. The State Enterprise Research Center, Faculty of Political Science, Chulalongkorn University, will hold a seminar on this crisis on 10 April.

At that seminar, Lt Gen Prawat Komonman, the chief of the Budget Bureau, Ministry of Defense, said that there are five state enterprises subordinate to the Ministry of Defense: the Glass Organization, the Textile Organization, the Battery Organization, the Tanning Organization and the Preserved Food Organization. Studies conducted by the State Enterprise Research Center have shown that these five state enterprises have the following problems:

1. These enterprises were established a long time ago. Their equipment is very old. They have carried on production as if supporting the policies and military and so have not been able to make a profit. Thus, they do not earn sufficient revenues to modernize their operations.

2. Most of the personnel have been working at the enterprises ever since the enterprises first began operating. Thus, most of them are older workers. However, their capabilities are not very high. Personnel expenses are high. People were employed on a long-term basis. The various regulations do not facilitate improving manpower ratios. This places a burden on the organizations.

3. In allocating manpower and carrying on operations, no consideration is given to making the most effective use of the manpower. Thus, efficiency is poor.

4. The state has allowed the private sector to compete with the state enterprises. The private sector is more efficient and flexible. Because of this, the state enterprises have much competition, and it is difficult for them to make adjustments in order to compete against the private sector.

5. Because these organizations are state enterprises, there are administrative restrictions, particularly in making adjustments in the marketing sector. Marketing must be improved in order to generate confidence among customers and sales representatives and satisfy the needs of society.

A report from the Ministry of Defense states that 1984 earnings for the state enterprises subordinate to the ministry were as follows: The Glass Organization had a loss of 14,315,268.59 baht; the Battery Organization made a profit of 29,923,866.88 baht; the Textile Organization had a loss of 19,357,579.45 baht; the Tanning Organization made a profit of 37,613,321.76 baht; and the Preserved Food Organization had a loss of 18,092,434.49 baht.

Editorial Seeks End to Government Support

Bangkok SIAM RAT in Thai 21 Mar 86 p 3

[Editorial: "Some State Enterprises, a Serious Cancer in the Country"]

[Excerpt] It can be seen that while some state enterprises constantly lose money, the government has to allow them to continue operations. And the government must provide support to keep them operating because they provide public services needed by the people.

At the same time, there are other state enterprises that do not provide essential public services but that give the relatives of powerful people, senior bureaucrats and retired bureaucrats a chance to hold an administrative position. These people do not have any knowledge about managing a state enterprise. The only thing they know is how to spend the state enterprise's money in ways that will lead to losses.

The National Economic and Social Development Board has compiled data on state enterprise management and recommended that the government take action to develop each state enterprise. We agree with and support this recommendation. We would like to advise the government to take resolute action based on the recommendation of the NESDB.

Besides this, we would like to recommend that the government establish a committee to consider management at each state enterprise. The committee should consider how each state enterprise manages the work and what effect this will have in the future. This will provide a basis for discussing ways to develop the enterprises.

We feel that some of the state enterprises can be compared to a cancer that is destroying the country's finances and economy. The situation calls for an operation rather than simply taking a medicine.

Defense Enterprise Management Criticized

Bangkok NAEO NA in Thai 12 Mar 86 pp 1, 2

[Unattributed report: "Military Will Sell State Enterprises, Admits That Management Is Inept"]

[Text] Military state enterprises want to improve management and increase profits while civilian state enterprises are sitting by idly. This is a new step by the military in the age of development. The Ministry of Defense says

that the present management system is outdated. Profits are still too low. It has announced that it is ready to sell enterprises. But it hasn't been able to do so because the private sector wants to purchase only the plants and refuses to employ the old personnel.

"This is a new and interesting step being taken by the military state enterprises. This is the role of the military in the new age," said a senior official from the State Enterprise Center, Chulalongkorn University, to NAEO NA about a meeting to be held to consider ways to improve the state enterprises subordinate to the Ministry of Defense based on the Sixth National Economic and Social Development Plan. This meeting will be held in cooperation with this center.

The six state enterprises subordinate to the Ministry of Defense, which include the Military Pharmaceutical Plant, the Glass Organization, the Textile Organization, the Battery Organization, the Tanning organization and the Preserved Food Organization, will send representatives to this meeting, which will be held at the auditorium of the Information Center, Chulalongkorn University, during the period 19-21 March.

The senior official from the State Enterprise Center said that the purpose of this meeting is to study the problems of the state enterprises and consider ways to develop these enterprises. Scholars with management experience will make recommendations and help clarify the problems.

Among the qualified scholars who will participate in this meeting are Dr Irsara Suwannabon from the State Enterprise Center, who will make recommendations on state enterprise planning; Mr Phayap Phayomyon from the National Economic and Social Development Board; Mr Phaibun Samranphuti from the Bangpu Industrial Estate Authority, who will analyze market planning; Mr Phichet Romhutiruk from the Spa Advertising Company, who will speak about improving the image of the programs; Mr Pricha Detthongwit, the deputy governor of the Expressway and Rapid Transit Authority of Thailand, who will analyze financial planning; and Mr Phisit Kusalasaiyanon from Thai Airways International, who will make suggestions on management strategies in organizations. Also, three scholars from the State Enterprise Center--Dr Kesini Hongsanan, Dr Suphachai Yawapraphat and Dr Tin Prachayaphrut--will analyze state enterprise directions and personnel management.

The official from the State Enterprise Center also said that the enthusiasm of the Ministry of Defense is a good sign. Because even though it doesn't have to take such action in the present situation, this shows that the Ministry of Defense is aware of the situation of the state enterprises, understands modern management ideas and is sincere about solving the problems that have arisen in the organizations.

In an interview, Lt Gen Prawat Komonman, the chief of the Military Budget Bureau, Office of the Under Secretary of Defense, spoke about cooperating with the State Enterprise Center, Chulalongkorn University, in order to train the officials concerned and improve the management system, reduce production costs and increase profits. The NESDB has formulated a state enterprise plan based

on the Sixth National Economic and Social Development Plan, which will be in effect during the period 1987-1991. According to this plan, the state enterprises must become self-supporting and not rely on budget funds.

The chief of the Military Budget Bureau said that the six state enterprises subordinate to the Ministry of Defense were all established during the period of Field Marshal Phibunsongkhram. Management is inept and has not improved very much. Even though most of the state enterprises are making a profit, profit levels are not very satisfactory.

"The Ministry of Defense wants the private sector to invest in these enterprises. We want to sell some of the state enterprises to the private sector. We have never refused to sell the enterprises. But it will be difficult to sell them because the private sector has set conditions. For example, we want to sell the Preserved Food Organization, but the private sector has said that it wants only the plants. It doesn't want to take responsibility for the workers. But that is impossible, because we don't know what to do with those workers," said Lt Gen Prawat in conclusion.

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COOPERATION WITH MALAYSIA IN ANTI-CPM OPERATIONS

Bangkok BANGKOK POST in English 1 Mar 86 p 4

[Article by Sermsuk Kasitipradit]

[Text]

ALTHOUGH the recent "Taksin 8601" launched jointly by Thailand and Malaysia failed to seize a Communist Party of Malaya (CPM) stronghold believed located 12 kilometres north of Betong in Yala Province, it was not a total loss.

The two-week operation, no doubt, has managed to forge better ties between high-ranking authorities of both sides.

Maj-Gen Kitti Ratanachaya, commander of the Combined Task Forces (CTF-Thai), paid two courtesy calls during the operation, on his counterpart Maj-Gen Dato Jaffar Bin Mohamad, in Kroh and Sungai-Pattani, Malaysia.

The general appreciated, and was deeply touched, by the warm welcome he received.

Maj-Gen Jaffar, commander of the Malaysian 2nd Infantry Division, made his return visit at Thai's CTF forward outpost in Betong, where he praised Thai forces for their sincerity in destroying "our common enemy."

Maj-Gen Jaffar said, "I'm very pleased indeed, as the operation was well-conducted," and added that he was impressed by the Thai forces.

"What I would like to mention is that I am most happy for the operation as it shows Thai sincerity in eliminating our common enemy," said the Malaysian commander.

When asked if "combined operations" of Thai and Malaysian forces, which have been suspended for about seven years for political reasons, could resume in the future, he said: "We should discuss it should we have a suitable target at the border area."

He added that both sides are continuing their efforts to destroy the CPM by trying new measures, such as stepping up more intelligence cooperation.

Maj-Gen Kitti, promoted late last year as Fifth Division Commander, tried his best to create better understanding between both sides.

Maj-Gen Kitti seemed pleased with the comment by his Malaysian counterpart which he interpreted as a sign of better border cooperation between Thailand and Malaysia in the future.

HE is known among Thai military men in Yala Province as "Ning Nong" but his real name is Vichit Sae Lu.

Ning Nong, a former CPM guerrilla, left his jungle life in the Betong area about five years ago but was arrested by a Thai security unit and sent back for interrogation.

After the officers finished their interrogation, they thought that Ning Nong would be a valuable addition to their intelligence unit because he had spent two years in the jungle and was once a close aide to Jang Jung Min, who is the chairman of the Communist Party of Malaysia.

The Communist Party of Malaysia should not be confused with the traditional CPM because it was formed in December 1984, combining the two splinter groups -- the CPM (Revolution) and the CPM (Marx-Lenin) faction -- from the original CPM.

After his arrest, Ning Nong was persuaded to become an army informer to help pinpoint CPM camps in his former area of operation.

It should be noted here that government forces have never succeeded in snuffing out the CPM's main camp in the Betong area — known to be a CPM sanctuary for more than 40 years — mainly because they lacked concrete intelligence information to pinpoint the exact location of the CPM camp.

CTF intelligence officers admitted that since Ning Nong agreed to help last year, Thai forces have been able to seize many camps, including the Bo Nam Rong camp — the largest camp ever seized in the district.

Before the "Taksin 8601" was launched on February 9, all senior officers in CTF were confident that the operation would be successful in destroying CPM's eighth company camp, believed to be the strongest CPM camp in Betong.

Part of the confidence came from intelligence reports provided by Ning Nong and his agreeing to lead government troops in their search.

But things didn't turn out as planned.

Ning Nong didn't get along with the leading CTF company commander who was to spearhead the drive.

The commander refused to follow Ning Nong's advice, fearing that Ning Nong might double-cross the company. Ning Nong was later taken out of the operation to avoid any conflicts.

"The commander didn't trust Ning Nong and feared that his men might land in jeopardy if he followed Ning Nong's advice, on the grounds that Ning Nong was once a CPM man," said one officer after the incident.

The incident caused concern among some senior officers in CTF, who said that without Ning Nong guiding government troops, it would be difficult to find the camp.

After he left the company and was taken on board a helicopter to pinpoint the area, government troops failed to find the camp.

CTF forces succeeded in seizing two platoon-level camps, which was a direct result of information provided by Ning Nong. But they failed to locate the main camp which was believed situated in the vicinity.

"This time we are quite confident, considering the information we have got from many sides," said one senior officer.

"The main CPM camp might be located in the area near the seized camps as they had planted a large number of booby-traps in the area, aimed at impeding our forces from moving forward.

"We should have found it, but we failed," said the officer, who was quite disappointed because the operation left two Thai soldiers dead and 20 wounded.

"It would not have turned out like this if everything had gone smoothly as planned," commented another officer, who added that this should be taken as a lesson for the next operation.

□ □ □

THE Thai side said that one of the seized camps located about 12 kilometres north of Betong may have housed a major radio station called the "Malaysian People's Voice."

But the only evidence indicating that communications equipment was used in the area were electrical wires which were found in many CPM camps.

Maj-Gen Kitti said that the camp may have been a major radio station, basing his comments on the words of a former CPM member, Tong Peng, who said that the camp could have been a communications unit.

No radio atennaes or other equipment were found in the camp.

Tong Peng was arrested a few days earlier. He was a former platoon leader in CPM's Fourth Company.

He said that he had also once served in the CPM Eighth Company, whose camp was the main target in this operation.

Tong Peng said the camp was likely to be a communications unit belonging to the 12th platoon of the Eighth Company whose main responsibility was to communicate with other units in their area.

Tong Peng said it was likely that the camp may have been used as a mobile station.

Reports in the local and international wire services that a major radio station had been seized stunned senior Malaysian security officers, who immediately asked for more details from their liaison officer attached to CTF, Maj Latip Ariffin.

"We have not got any evidence so far to substantiate the claim," said Maj Latip.

"For the time being it is difficult to confirm the report as we need time to check it with Malaysian side whether the radio was still broadcasting after seizure of the camp," a Thai officer said. "If they have stopped broadcasting, it might help substantiate the claim," he said.

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CSO: 4200/874

PAPER PROFILES DIVISION COMMANDER IN SOUTH

Bangkok BANGKOK POST in English 1 Mar 86 p 4

[Article by Sermsuk Kasitipradit]

[Text]

HAVING spent his last 25 years in the South, Fifth Army Division Commander Maj-Gen Kitti Ratanachaya has rightfully earned the reputation of being the foremost military expert in the South, especially with regard to the decades-old problem of the outlawed Communist Party of Malaya (CPM), which is entrenched along the Thai-Malaysian border.

Maj-Gen Kitti, a native of the southern province of Surat Thani, began his military carreer in the South after graduating from the Chulachomklao Military Academy in 1961. He was a student of the Class 8 whose members have become increasingly conspicuous among the army brass.

Since then he has steadily climbed the hierarchical ladder of the Fourth Army Region until he was appointed commander of the Fifth Division last October.

Observers believe that this 50-year-old general has a bright future ahead of him and may some day become commander of the Fourth Army Region, undisputably the most powerful military position in the South.

Having dealt with the CPM problem, Maj-Gen Kitti is now trying to push through a plan to separate CPM insurgents from the civilian population residing along the border. The separation is hoped to enable the military to launch operations against CPM positions more effectively. The plan calls for establishment of new settlements to be called "development villages" along the border to which the civilian population under the CPM influence will be moved. The "new" villages will be closely looked after by Thai security forces.

The separation, he believes, will reduce the communist influence over villagers who are constantly under threat to support the CPM cause.

Maj-Gen Kitti put the CPM's earnings from extortion at 100 million baht a year from rubber plantations and businesses in Betong alone.

Thai authorities estimate there are about 1,500 armed CPM guerrillas while the Malaysian figure is as high as 2,500. The CPM's ultimate goal is to liberate Malaysia. Since their chance of success is very small, a high concentration of the CPM force on the Thai side of the border are living on extortion racketeering.

What makes the separation so difficult is the fact that there is a large civilian population in the villages straddling the border. Maj-Gen Kitti said Malaysia has less of a problem with the mixing-up between insurgents and civilians because Malaysia has announced a zone of up to five kilometres from the border as a national reserve forest which cannot be trespassed.

Since Thai authorities cannot do likewise, he said, the logical option was to set up new settlements which can be under government control.

Maj-Gen Kitti said he has already presented his plan to the Fourth Army Region headquarters and National Security Council chief Prasong Soonsiri, who responded positively to the plan.

Maj-Gen Kitti told the *Post* that despite Thailand's attempt to suppress the CPM force along the border for the past 40 years, the problem remained as CPM cadres still go around freely and extort money from rubber plantation owners and businessmen, mostly in the southernmost border town of Betong.

A well known figure among the Malaysian military brass, Maj-Gen Kitti started working alongside Malaysian commanders since he was a battalion commander in the Fifth Division.

The suppression drive against CPM, he said, has always depended on the leadership and policy of the Fourth Army Region Commander.

Maj-Gen Kitti said he wanted to see a long-term policy on the suppression of CPM worked out by the Government, the NSC and the Fourth Army Region. The policy will be used as a guideline for reducing CPM influence within a specified period of time.

Regarding combined operations with the Malaysian force, Maj-Gen Kitti said he disagreed with the presence of a Malaysian force in Betong, which has displeased a local population. Instead he proposed that landing zones for helicopters be made in jungle areas to deliver troops to the front to fight CPM elements. This will avert tension that could be caused by the presence of Malaysian troops deep inside Thailand.

He said he had proposed the idea to Interior Minister Sitthi Jirarote, who chairs the General Border Committee, and added that he will discuss the matter with other high-ranking officials.

During recent operations against CPM strongholds near the border, Maj-Gen Kitti said that a good relationship with Malaysia was the key to success in suppressing the CPM. This relationship, he stressed, must be based on the sincerity of both sides.

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ARTICLE VIEWS INSURGENCY PROBLEM IN SOUTH

BK281142 Bangkok KHAO PHISET in Thai 24-30 Mar 86 pp 4,5

[Article: "Open the File of the Provincial Police Command Area 4 to Review the Insurgency Situation in the Southern Region"]

[Text] The time bomb which was planted and later defused at the provincial seat of Nakhon Si Thammarat on the night of 16 March has once again drawn the attention of the general public to the fluctuating situation in the southern part of the country. The provincial police command area 4 recently described the situation in the south in its "secret report." The report, ironically not so secret, was quite interesting and was compiled by the official intelligence network.

1. Communist terrorists

"The communist insurgency situation has improved to some extent after the government has assigned the 4th army region to implement policies Nos. 66/23 and 65/25. However, it does not mean that communist terrorists have been wiped out from the southern region. The terrorists are mostly active in reviving their popularity. At present, there are only five provincial committees functioning in the whole area as follows..."

--The Chumphon-Ranong-Phang-nga provincial committee. The group has recruited 180 new members. Its secretaries are Mrs Hiang Chaichumnum, Bunchuan Chuchit, and Charoen Kaeosakun responsible for operations in Chumphon, Ranong, and Phang-nga provinces respectively.

--The Surat Thani provincial committee. Since the opening of the 4th Congress of the Communist Party of Thailand in 1982, the number of guerrillas in the operational areas 508, 511, 523, and 514 has been maintained at 150.

--The Nakhon Si Thammarat provincial committee. This group now has only three operational areas--area 1, formerly area 2, covers Lan Saka district and Sala Faet camp; area 2, formerly area 3, covers Tha Sala district and Kung Ching camp; and area 3, formerly area 4, covers Lan Saka district. The total strength of the communist terrorists under this committee is estimated at 200.

--The Phatthalung-Trang-Satun-Songkhla provincial committee. This group of terrorists has become less active since Suwit Wetchasat surrendered to the authorities. The total strength of this group is about 150.

The Trang-Phatthalung-Nakhon Si Thammarat provincial committee. As a result of the government's heavy suppression operations, the committee had to rearrange its operational areas by annexing parts of Krabi province, Thung Song and Cha-uat districts. The total strength of this group is about 100.

2. The Chinese Communist Guerrillas.

The Chinese communist guerrillas are currently active in the three southern provinces of Narathiwat, Yala, and Songkhla and are divided into three regiments as follows:

--Regiment 8 is under the control of the committee in Kedah and Perak states of Malaysia. It has a total strength of about 200 with "I-chiang" as commander. Its operational base is situated on Khao Nam Khang mountain which is the common border area of Sadao and Na Thawi districts of Songkhla Province. The regiment is divided into 14 units such as the Binyuan unit.

--Regiment 10 is operating inside Malaysia with a strength of about 350. Its base is situated in Suhirin district of Narathiwat Province.

--Regiment 12 is believed to have about 850 men under its control. Among its leaders are Asik, responsible for Betong district, Ali for Yaha and Bannasata districts, and Along for Than To district of Yala Province. Other known members are Ayae, Laose, and Ako who are now operating in the area of Saba Yoi district of Songkhla Province.

3. The separatist movement.

At present, two groups of separatists are still active in Narathiwat, Yala, Pattani, and Songkhla provinces. The "BRN" [Barisan Revolusi Nasional] is one of them with a total strength of 224. The other is the "PULO" [Pattani United Liberation Organization]. The second group is still recruiting new members from young men in the south for military training in the Middle East.

"Different groups of terrorists and separatists are still posing a threat to security in the southern region. The following are the shortcomings of the provincial police command area 4:

1. Shortage of manpower. The ratio between police and area and population is 1:20 sq km: 800.

2. Weaspons are too old.

3. Mountainous and forest terrain.

4. The southerners are regionalists, uncooperative with government authorities, revengeful.

5. Political and interest conflicts in the region are rife."

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EDITORIAL VIEWS ATHIT'S 'PROFESSIONALISM'

BK261047 Bangkok MATICHON in Thai 26 Mar 86 P 6

[Editorial: "The Professional Soldier Named 'Athit'"]

[Text] The decision not to extend General Athit Kamlang-ek's military term for another year by the Defense Ministry has indicated the sense of principle, correctness, and fairness on the part of General Prem Tinsulanon, also an "ex-soldier", in his capacity as defense minister. At the same time, the arbitration has also provided an effective meter to gauge the honorable and legitimate "military professionalism" of the gentleman called "Athit Kamlang-ek".

Supreme Commander and Army Commander Gen Athit Kamlang-ek was informed about the decision on the morning of 24 March. In his speech at the closing ceremony of the 36th army annual games in Nakhon Si Thammarat Province in the evening of the same day, Gen Athit stressed the characteristics of "professional soldiers" by saying that soldiers come from the people and are allowed to carry weapons to defend the nation, faith, and monarch. This great and honorable assignment has obliged soldiers to behave themselves as ethical warriors.

He reiterated: "You must be ethical warriors with weapons in hand. We must be willing to sacrifice our lives for the defense of the nation, religion, and monarch. Our souls must be filled with righteousness. You must continue to fight for righteousness. Whenever you give up, you are no longer regarded as soldiers."

As for "professional soldiers," they are regarded as brave "warriors." In addition to the righteousness as mentioned by the supreme commander, they must basically have discipline and strictly obey the line of command. It is believed that soldiers without discipline are not much different from ordinary bandits.

It is good that Gen Athit Kamlang-ek himself has set a good example of "professional soldiers." First, he smilingly and respectfully accepted the order and decision of his superior. Second, he reaffirmed emphatically that there would not be any untoward incident to comfort the people who do not understand the country's situation. During the next 4-5 months that Gen Athit

Kamlang-ek has left to serve his tenure as the supreme commander and army commander, he can continue to dedicate himself to the armed forces.

Gen Athit Kamlang-ek's sense of "professionalism" and respect for his superior cannot be solely contributed to his long service, almost all his life, as a soldier. Gen Athit Kamlang-ek and Gen Prem Tinsulanon used to fight in battles shoulder to shoulder when they both worked at the 2d Army Region. It was not nonsense when Gen Prem Tinsulanon said: Athit still has opportunities and time to serve the country. Both Gen Prem Tinsulanon and Gen Athit Kamlang-ek will jointly prove these facts in the near future.

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NEW MILITARY PARTY PREPARED TO REGISTER

Bangkok BANGKOK POST in English 3 Mar 86 p 3

[Text]

THE Taharn (Military) Party will be ready to register as a legitimate political party within this month with only General Arthit Kamlang-ek's decision on whether to become the party leader now pending, Gen Mana Ratanakosea, former assistant army commander-in-chief, told the *Bangkok Post*.

Gen Mana said party members would consist of disgruntled MPs of other political parties, MPs who shared the same ideology, businessmen and ex-police and military officers.

Furthermore, there will be more than 200,000 reservists, Gen Mana said, adding, "when we form a party you can be sure that it will not be a small one".

However, the general declined to estimate the exact number of members saying that it would affect other political parties and that as he was a senator, he could not elaborate.

He added that he was waiting for the right moment to resign from the Senate so as to concentrate more on the party.

On the question of the party leader, Gen Mana said many party members were urging Gen Arthit not to seek an extension of his term as Supreme Commander but to become their party leader. He added, however, that it all depended on Gen Arthit and also on what Prime Minister Prem Tinsulanonda decided. "I cannot read these two, therefore, I cannot tell who our leader will be until things are clearer".

Recently Gen Arthit said he had no political ambitions and he did not want to head a political party.

As for the requirements to become a member of the new party, Gen Mana said that apart from sharing the same ideology the members must be able to finance their own election campaigns. This, he said, would deter "prostitute MPs" from joining the party.

"We want to have a good party, we want to weed out opportunists, those who have a price will not be allowed to join in; but this does not mean that we want those who are rich but without ideology, we detest this sort of people," he said.

The general added that the party's policies had been set with the stress on the improvement of living standards and creating employment. He said that the party had a number of academics whose experience would help in the economic issues and that he was sure the party would be able to improve the country's economy.

Gen Mana said in his recent meeting with Gen Arthit he was asked about the development of the party. He also said that he was sure he had the support of many top military officials but not all were yet ready to come forward or resign their posts to run in the election.

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ACADEMIC COMPLAINS OF OVERSPENDING ON DEFENSE

Bangkok BANGKOK POST in English 7 Mar 86 p 4

[Article by Kanjana Spindler]

[Text]

THE INVASION had already been underway for a couple of days. But against the backdrop of the Midway aircraft carrier idly swinging at anchor in the "warm water" zone off Pattaya, 35 top-ranking personalities from Parliament, the Armed Forces and the world of academia were waging a different type of war in a close-door seminar at the Royal Cliff Hotel.

In reality, as M.R. Kukrit Pramoj once simply put it, the basic question facing our country's security today is "rice versus guns", and this was one of the key issues, as the battle around the discussion table focussed on Thailand's Defence Policy and the National Security. For their initial supplies of ammunition — the participants digested two position papers by M.R. Sukhumbhan Paribatra, director of Chulalongkorn University's Institute of Security and International Studies and former Supreme Commander Gen Saiyud Kerdphol.

Deputy House Speaker Piyanat Vajaraporn, an outspoken critic of the military, stood adamantly on the ground that the military still holds the "priority rights" in this country. His point could hardly be disagreed with when the figures on the Government's budget allocation for defence amount to a quarter of the total budget for 1986, or the equivalent of 52,086.1 million baht.

"If you think the military is not doing the right thing, why don't the politicians get up and speak?", challenged Gen Saiyud, adding, "All those economists — what are they afraid of?"

The seminar's participants offered a well-qualified range of experience to discuss the topics at hand. This, the tenth and last seminar in an important series of public policy debates, was inspired and organised by Chulalongkorn University's Prof Dr Chai-anan Samudavanija under the auspices of the Social Science Association of Thailand (SSAT) led by the current president Prof Dr Somsakdi Xuto and substantially supported by the Konrad Adenauer Foundation from West Germany.

Apart from leading academics and specialists in the field of foreign policy and defence both the military and the people's elected representatives from the National Assembly were well represented. Along with Gen Saiyud, who must be regarded as the military's most articulate strategist with a progressive and liberal philosophy, another key figure was Gen San Chitpatima whose involvement in the 1981 April's Fools Coup and subsequent dismissal from the Army, needs no retelling.

Prominent politicians apart from Mr Piyanat included Sanan Silapabanleng, Chart Thai MP Chumpol Silpa-archa and Supatra Masdit, a Democrat MP and Spokeswoman for the House Committee on Foreign Affairs.

Ms Supatra, who is married to Lt-Col Pathompongse Kasornsuk, an officer well-known for his earlier support of Gen Harn Leenanond, took up Gen Saiyud's challenge to politicians and economists to speak out on ex-

travagant defence expenditures by laying it open to the bone. "To be a politician and to oppose the military is dangerous. One is easily dismissed as a traitor to the cause of national security", she bluntly reminded everyone.

Gen Saiyud focussed his paper on "national security and the national defence administration". National security which means "maximum national benefits", is partly "unattainable" because "people don't understand what the whole thing means", charged Gen Saiyud.

Certainly, it's not a problem of mind over matter, or vice versa, as the whole nation might currently be led to think. National security and its inseparable four components — the military, politics, economics and socio-psychology — in Gen Saiyud's terms are "comparable to mind and body". A good mind, said the general, must have a healthy body, and how effectively the two elements are going to coalesce depends on the heart of the matter, the National Security Council.

Writes Gen Saiyud in his paper: "Therefore, how strong the national security will be depends on the quality of these four components — how much capability we have; whether the individual components are antagonising or supporting each other; and whether they're accommodating the needs of the majority of the people in the country or not?"

"Anything these days is used as an excuse for national security, even the case of the pineapples", voiced Dr Likhit Dhiravegin.

Summing up his presentation Gen Saiyud said, "A good strategy and a good military administration depend on the Military Policy of the Defence Ministry", stressing that "This is to be coupled with the main objectives and main policies of the military as a guideline and the qualities of a good leader — one who has the insight and the personal sacrifice to consider the benefits to the majority more than to himself."

M.R. Sukhumbhan Paribatra, not without expounding his frustration at the "impossible task for outsiders who cannot avail themselves of the necessary 'hard' data, presented his painstaking paper on "Thailand's Defence Policy in the Post-Vietnam War Era, 1975-1986".

Despite what he described as the "impenetrable bureaucratic wall of silence" and the absence of such hard data, he elaborately explored the subject.

Essentially, M.R. Sukhumbhan brought into focus the "1977 Military Policy". This policy was first of its kind produced by the Ministry of Defence, and it is believed "not to have been substantially altered in the intervening period". "What I was trying to do was to perform surgery on this policy", explained the researcher.

With a scalpel like that of the surgeon, M.R. Sukhumbhan dexterously dissected the said policy. He first emphasised the concept of planning and co-ordination between the military and the civilian technocrats and was forced to conclude that such cooperation does not exist.

He then explored whether the military was ready and able to wear the "three hats — that of a professional organisation; that of a bureaucracy whose predisposition is towards the maximisation of its own share of responsibility; that of a central political actor..." Again, he concluded negatively.

Pointed out M.R. Sukhumbhan: "The Fifth Plan is the first time that the Thai Armed Forces requirements were to be built into the overall national plan and yet the Thai Armed Forces have been able to purchase extremely expensive weapon systems which have not been planned ahead, most notably the F-16A aircraft (US$360 million or the equivalent of one quarter of the Defence budgets in 1985 and 1986) and the computerised air defence system (US$71 million), more than the total amount being spent for rural poverty eradication programmes at present."

M.R. Sukhumbhan's view on external security — that Vietnam is not a threat and consequently the military budget is too much — was shared by many political scholars. "Thailand's security is now 100% better than before", analysed one Indochina watcher, adding, "The internal security has vastly improved. External security is stable. With a rapidly modernising China more and more confident in its ability to neutralise Vietnam if the need should arise, Thailand shouldn't feel threatened." Added Dr Suchit, "Vietnam has become a make-believe enemy. Keep on talking about it and people will soon believe it's true."

The question of what many participants saw as Thailand's inflexible foreign policy position toward Indochina received considerable scrutiny with the consensus being that Thailand cannot afford the cost of the current large military budget which is hard-line policy's necessary counterpart.

A quote from the "prologue" in Naomi Caiden and Aaron Wildavsky, "Planning and Budgeting in Poor Countries" which M.R. Sukhumbhan Paribatra appropriately used in the beginning of his paper, summed up the central issue of the seminar and perhaps Thailand's most important dilemma:

"...With less to spend, it became all the harder to choose amongst projects for the remaining money. Then I discovered something interesting: Learned economists disagreed amongst themselves about what ought to be done; each one apparently has his own science. In the end I decided it was cheaper to pay the army and leave the planners making plans than to pay the price of the plan and be overwhelmed by the army."

So it all comes back to "rice versus guns". Are the true interests of Thailand's national security better served by a handful of super planes sweeping the skies above or by irrigation canals bringing water to the land and the people below? The dilemma is easily defined; its resolution not yet in sight. But one thing is quite clear. We cannot afford both the super planes in the sky and the water in the fields. Who will choose?

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BRIEFS

ENVOYS PRESENT CREDENTIALS--The king granted separate audiences to foreign ambassadors presenting their credentials at Chitala Palace on 17 March. They are: (Derek Tonkin), ambassador extraordinary and plenipotentiary of the United Kingdom to Thailand with residence in Bangkok; Mohamed Lakhi Demaghlatrous, ambassador extraordinary and plenipotentiary of the Democratic and Popular Republic of Algeria to Thailand with residence in Dacca, Bangladesh; and Yahya Sa'id al-Radi, ambassador extraordinary and plenipotentiary the Yemen Arab Republic to Thailand with residence in New Delhi, India. [Excerpt] [Bangkok Domestic Service in Thai 1300 GMT 17 Mar 86 BK] /12913

OIL FROM PRC--The office of the Commercial Counsellor at the Thai Embassy in Beijing reported that a delegation from the Petroleum Authority of Thailand visited Beijing 20-23 February for negotiations on the purchase of high-speed diesel oil from China. In 1986, Thailand will buy 300,000 to 500,000 metric tons of diesel oil from China. Shipments will begin in the middle of March. The price of each shipment will correspond to the average Singapore price. The deal is expected to save the petroleum authority as much as 12 million baht. [Excerpt] [Bangkok Voice of Free Asia in Thai 1030 GMT 17 Mar 86 BK] /12913

FOREIGN AMBASSADORS--The king on 1 April recieved credentials from the new Ambassador Extraordinary and Plenipotentiary of Denmark to Thailand, Otto Frederik Lieb Kier, with residence in Bangkok. On the same day, the king granted an audience to Philippine Ambassador to Thailand Lt Gen Rafael Ileto, who took leave of his majesty upon terminating his assignment in Thailand. [Summary] [Bangkok Domestic Service in Thai 1300 GMT 1 Apr 86 BK] /12913

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